

NATION'S BUSINESS



JULY • 1933 Business Moves Toward Self-regulation—What the Securities Bill May Do—Kiplinger's News of Events

PUBLISHED BY THE CHAMBER OF COMMERCE OF THE UNITED STATES

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What Every Investor Should Know About Market Action

by A. W. Wetsel

As indications that we definitely have passed the "turning point" of the depression continue to multiply and in view of the recent market activity, we receive many letters from puzzled investors seeking information about how to recoup their losses . . . how to start rebuilding lost fortunes . . . how to make profits today.

NOW, it has been our opinion, and we have so advised repeatedly, that you do not need a bull market in order to protect your holdings and make money. True, in a broad upward market more people become interested and action is more decisive. There is not the hesitancy nor fear that often accompanies a declining market or a sideways market. But through a sound understanding of market action, it is possible to safeguard your investments and take profits in all types of markets.

Substitute Knowledge for Indecision

You have often heard the old adage that "anyone can buy but the profits come from knowing WHEN to sell." That very knowledge is obtainable from the market itself.

Security prices are human conclusions—the meeting ground of the buyer and seller. Therefore, if you are to gauge market action, the human element must be considered as a controlling factor.

Statistical information, while of vital importance, is not a conclusive guide. Time and again, in the last few months you have seen the market move in directly the opposite direction from the way in which statistical reports indicated it *should* move. As for instance, last summer. Statistically, the country was at its lowest ebb, yet the upward swing starting in July lasted for three months. Again in April U. S. Steel issued the poorest report (statistically) it ever published and almost immediately (within a month) its common stock rose from 26 to 49.

That is why we repeatedly state that security prices are controlled by factors within the market itself. Through constant analysis of these factors it is possible to pre-determine market action—to tell WHAT should be done to provide protection and enhance the opportunities for profit.

Today with the market attracting a constantly widening circle of buyers . . . with possibly the greatest opportunity for profiting that we have had in three years . . . it becomes imperative to *know* in advance what you reasonably can expect to do and what should not be done.

Two Ways to Know

In order to gain that knowledge you can either devote much of your time to the subject and reach your own conclusions, or, you can profit by the experience, knowledge and guidance of others. And this latter group may be divided into smaller groups.

There are many who profess to be able to foretell market action. It is our suggestion, however, that in choosing such counsel you carefully analyze:

- (1) The methods used in forecasting
- (2) The record achieved by following those methods.

Wetsel Method Inductive

Wetsel recommendations are the results of *inductive* reasoning, that is, positive conclusions arrived at through careful and constant analysis of contributing causes that are known to govern market trends and security prices. This method is directly opposed to those conclusions based on *deductive* reasoning from assumed causes and incomplete facts. Nor is a Wetsel recommendation the result of a composite average (if, indeed, such a thing were possible) of the conclusions of others.

The success of this organization (and, therefore, the financial progress of its clients) has been based upon its exclusive methods and *original* conclusions as applied to market action and the making of money.

From the Wetsel Record

By ignoring all other methods or "systems," the Wetsel method of interpreting the Technical Factors that control market trends and security prices, successfully foretold:

- the October, 1929, break in September—and again on October 7 of that year.
- the break of May, 1930, when others proclaimed the market was definitely on its way to "normalcy."
- the break of April, 1931, when business indices and statistics indicated broad improvement. Mr. Wetsel wired his clients to sell both investment and trading holdings.
- five major upswings that occurred during this period.
- rising market of last summer (on July 9), at a time when statistically the country was at the lowest point. And at which time most investors overlooked a major opportunity for fortifying their positions and making profits.
- the market rise following the bank moratorium. After advising clients to *stay out* of the market during February, specific *buying* recommendations were issued on February 27 and on March 1. Profits were taken after sensational rise following the reopening of the Exchange.
- the beginning of the gold embargo market. Purchases again being made on April 14-17—two to five days prior to the sensational rise following the embargo.
- the long persistent Spring rise, following the gold embargo soon again afforded large profit opportunities as buying instructions had been issued two to five days prior to the beginning of the rise.

These instances are given because the dates and what they signify are so well remembered. But, they also emphasize the necessity for forecasting short swings, which may aggregate even more profits.

Enhancing Your Opportunities

Today, we are in the type of market that is likely to cause some investors to become careless or subject to misleading guidance through giving too much credence to certain phrases or actions. Therefore, the following warning is issued as a *general* guide to all investors.

We are not yet in a strictly selective market. Do not be misled as to the possible effects of inflation. All securities will not react alike.

Markets move in *advance* of statistical information. Beware of buying or selling *after* statistics are published.

Market forecasting is *not yet* a science. It is possible to foretell trends and prices with a much better than average degree of accuracy but not with scientific precision. Do not be misled by claims of *scientific* methods.

We agree that the present is a "good time" to enter the market with a view toward recouping losses and again making profits. But we also know that your chances are greatly enhanced if you are advised by experienced, independent counsel WHAT to buy (and sell) WHEN and at WHAT prices.

That, in short, is the function of this organization. From the individual and organization with large estate problems to the small investor and trader seeking to build up his capital there is a Wetsel Service for every investor's need.

Booklet Shows How—Sent Free

Those who are satisfied to judge financial progress by the complacent standards of a few years ago (the known fallacies of today) will not be interested in this type of service. But for those who do realize that market trends and security prices are being forecast—profitably, we have prepared a clear and specific description of conservative and profitable trading methods.

This booklet, "How to Protect Your Capital and Accelerate Its Growth . . . Through Trading" merits your serious thought at this time. It has pointed the way to a sound understanding of market action for both large and small investors throughout the country. Send for it today. See how this method *might* help you. No cost or obligation. Merely fill in and mail the coupon.

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Investment Counselors

Chrysler Building

New York, N. Y.

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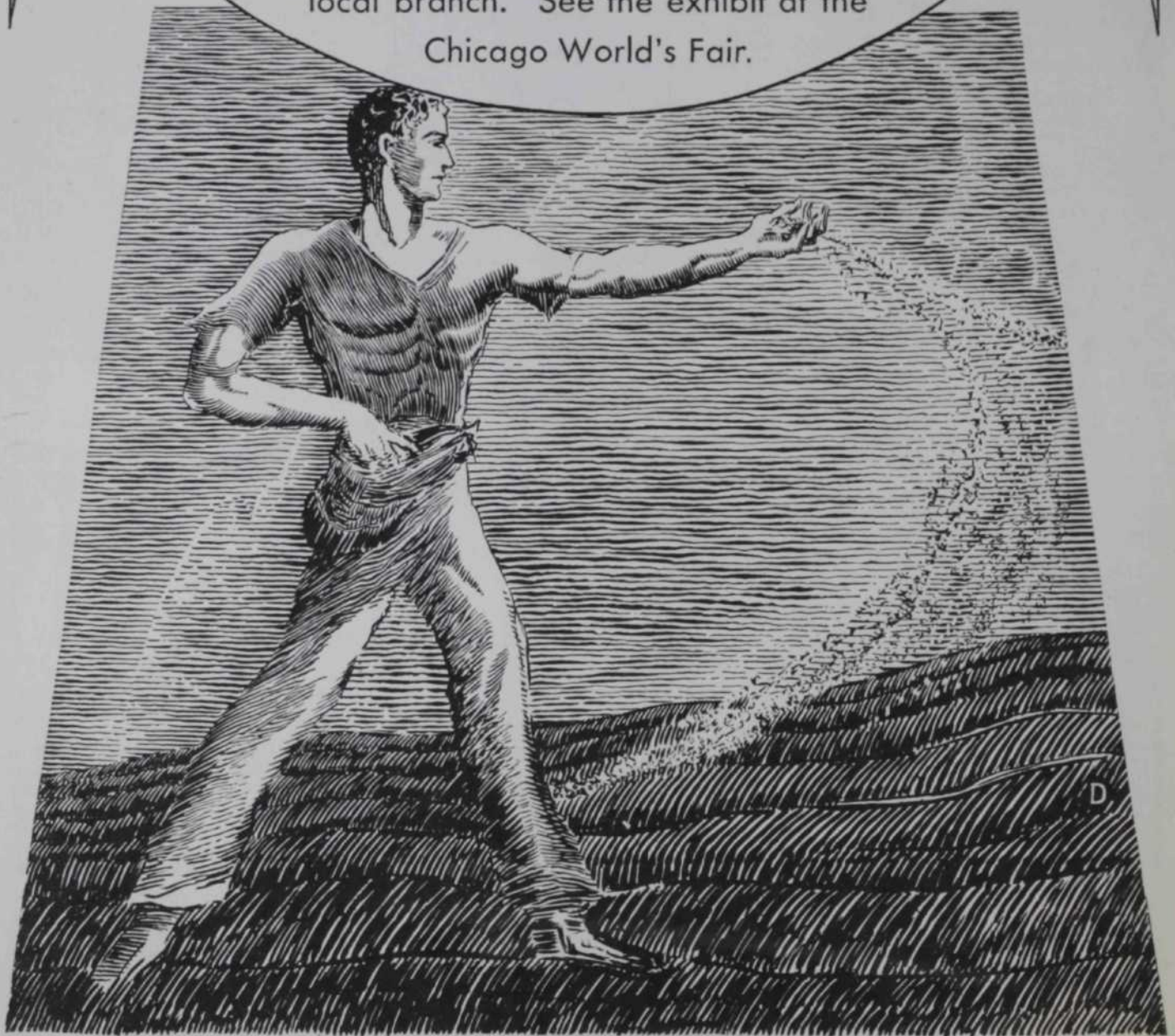
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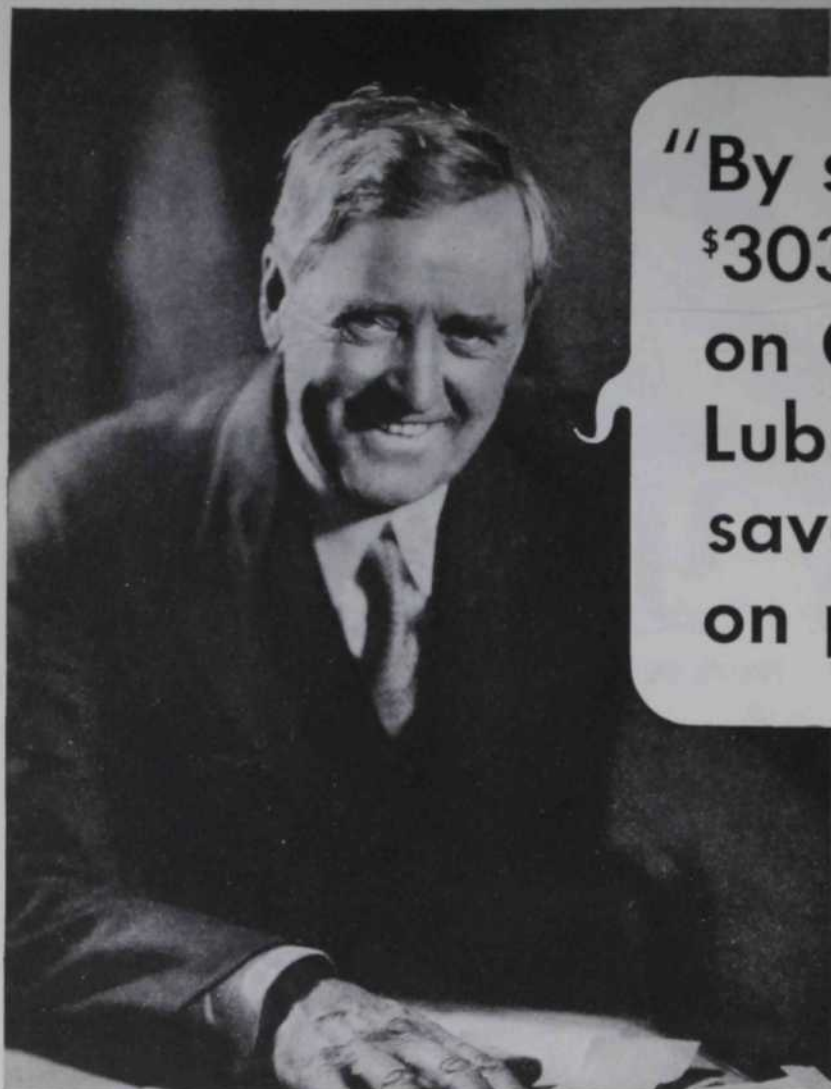
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Through the EDITOR'S SPECS

White robes

THE Plain Talker—absent these many months—came in the other day and responded to the usual question, "How's business?" by saying:

"Remember the old yarn about James R. Keene, when he was asked 'Are you broke?' and answered, 'I'm not broke but I'm badly bent.'

"That's the way most of us feel, bent but not quite broke. And one trouble is we're looking for some sort of Divine Providence, perhaps the Industrial Recovery bill, to straighten us out without breaking us at the bend.

"Maybe the new idea, the 'partnership' between Government and business, will help, but I'm a little afraid we're depending too much on Government and too little on ourselves.

"Makes me think somehow of the old story of the Chicago reporter and his assignment to write a story about a new deal from on high.

"There was a religious sect down in Southern Illinois—there've been lots of 'em—whose leader picked a new date for a second coming. He had it all worked out even to the hour and a lot of folks who trusted him got rid of their earthly possessions, prepared their white robes and planned to mount the highest hill in the neighborhood on the date fixed. Then all the faithful were to be lifted up into Heaven, leaving the unbelievers to face what was coming to 'em.

"This Chicago reporter was sent down to write the story. His paper didn't hear from him that day or the next. The following day, he walked into the office and his city editor jumped him, demanding to know why he hadn't filed a story. His answer was simple: 'There wasn't any story. They didn't go up.'

"And somehow I'm afraid if business puts too much trust in these new ideas of wage-fixing, hour-fixing, and maybe price-

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	PAGE
Fourth of July—New Style <i>Merle Thorpe</i>	11
The Truce on the Sherman Law <i>Morris Edwards</i>	13
The Local Chamber's Job in Recovery <i>Roscoe H. Goddard</i>	16
What's Ahead in Washington <i>W. M. Kiplinger</i>	17
Letting Modernization Sell Itself.....	20
No Business Can Escape Change.....	22
Why We Need a Minimum Wage Law <i>Frances Perkins</i>	23
Charting the Course of Business.....	25
Muscle Shoals Opens a New Path <i>Warren Bishop</i>	28
The Trade Associations Are Ready <i>Raymond Willoughby</i>	35
What the Securities Act May Do.....	39
The Facts About the Unemployed <i>William S. Dutton</i>	44
Six Reasons for Paying Fair Prices <i>Lester N. Selig</i>	46
The Complex Job of Farm Relief.....	52
Getting \$3,000,000,000 into Motion.....	53
The Capitalization of the Railroads.....	55
Things Talked About in Wall Street.....	61
Developments in Distribution.....	63

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fixing as the means of business recovery, they're going to get the same reply: 'It didn't go up.'

"Mind you, I don't think these new ideas aren't good. I think they're worth trying, but if I were you I'd tell my business readers not to expect too much too soon."

The red wing

APPARENTLY the further one is removed from Washington, the better is the perspective concerning great events at the nation's capital. A thoughtful commentary upon the philosophy back of the National Industrial Recovery Act comes from a Louisiana lumber man, long seasoned by the vicissitudes of a troubled business. He says:

Some years ago, I think it was President Richard Grant of the Chamber whom I first heard use the phrase "More business in Government and less Government in business." If this idea actually could have prevailed, we might have been spared the recent crisis.

If the business man does not *now* furnish leadership and the cooperation necessary to run his own affairs and to free his industry from the abuses destructive to all—labor and the public included—it will be just too bad. It will mean that the hour for the business man has struck.

Of course, industry has been under the threat of the antitrust laws, which opened the inviting prospect of the county jail to those who tried to act in concert and obtain a fair figure for their products.

Regardless of that, however, it is clear that the day of cooperation is not going to be postponed any longer, for Government—whether it be good or bad, whether the result be desirable or otherwise—is going to take charge if business fails to use its new powers, and my guess is that it will be an unhappy day for business and for the country when that happens.

The same correspondent goes on to plead for a slowing down of the "red wing of Government" that tries to prove that a man is a criminal if at times he has made a little money, or because he has failed to pay income tax at other times when he has earned no taxable income.

Just suppose

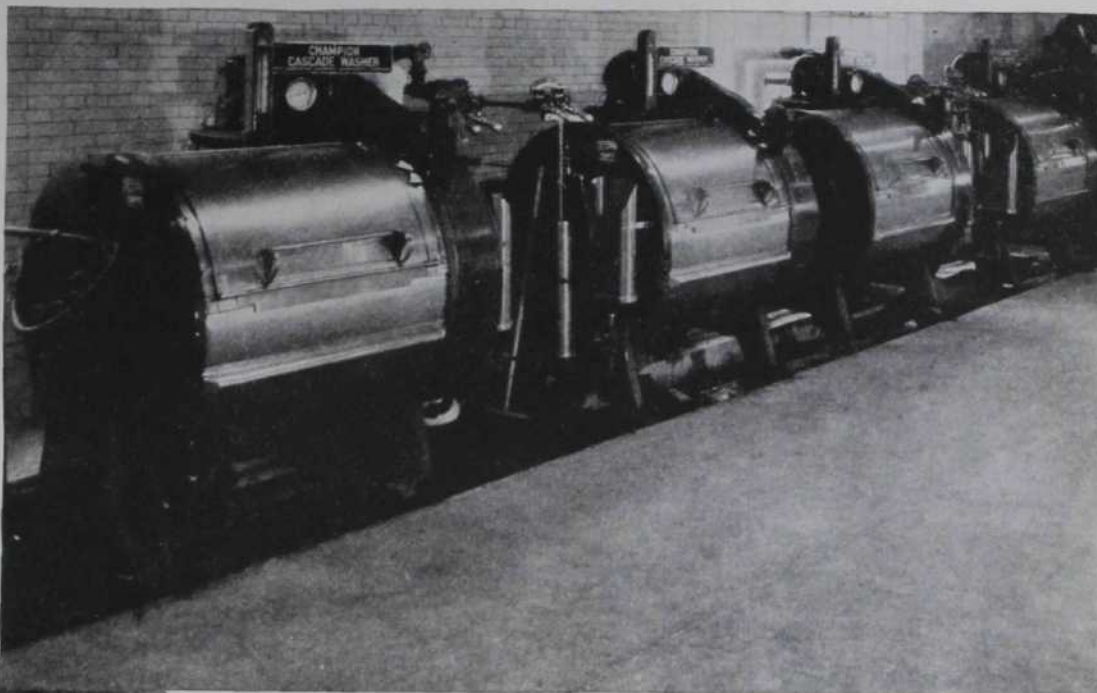
WHAT the Louisianan called "the red wing of the Government" was the subject of a recent locker room symposium at a Washington golf club. A half dozen men—among them two members of Congress and an income tax lawyer—were airing their views concerning the Morgan testimony.

"You know," said a lay member of the group, who hails from the Middle West, "what this business reminds me of? The way they treated Morgan on the income tax thing reminded me of the lawyer's old trick of asking a witness, 'Have you stopped beating your wife? Answer yes or no.'

"Out where I come from, the folks will eat this stuff up. The committee isn't especially interested in the facts. They don't care a hoot whether Morgan's action was entirely lawful, proper and customary. They aren't even much interested in effect-

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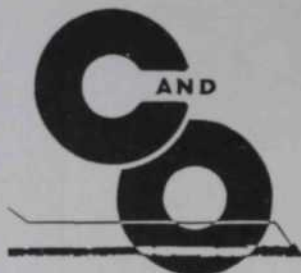


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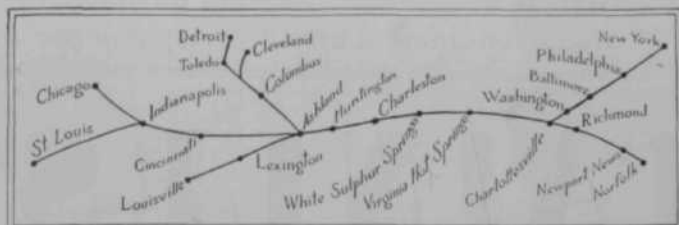
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THE GEORGE WASHINGTON THE SPORTSMAN THE F. F. V.



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ing any changes of law which may be required. All they want is to get into the record a lot of stuff which, when doctored with innuendo and delivered in a hushed voice, will bring the house down in next year's campaign out in the great open spaces."

At that, the lawyer interjected: "Maybe so, but you're missing the really choice irony in the tax angle. Morgan and his partners are being jumped on for paying no tax in a year when they suffered enormous losses."

"Look at it the other way around. Suppose they had said, 'We legally owe no tax, but we are not willing to avoid a tax by claiming these losses as deductions. We want to pay. We will waive our exemption.' Even though making no claim of loss, they would have had to report every one of the transactions or go to jail."

"Then some examiner over in the Bureau of Internal Revenue would have run across the losses in the first scrutiny of the returns. He would have seen the error, and would have done the purely automatic thing of returning the check with a note saying that no tax was due. That is, he would have done that if he had performed his duty."

"More likely, however, he would have suspected some dirty work at the crossroads, and would have told his chief: 'Ha! These Morgan fellows are slick. They are voluntarily paying a lot of tax which isn't legally due. They are putting several million dollars in our hands, because they can't invest it profitably right now, and intend to come back here later, claim they made an error, and make us return the money with interest. Well, we'll not let them get away with that old trick. We'll send their doggone money back to them by return mail. They can't outsmart us.'"

After a lull in the conversation, another of the lay members addressed one of the congressmen. "Charlie," he said, "how long is this star chamber session going to continue?"

"Well, my boy," the congressman replied, "I'll tell you. I reckon it'll run as long as the stuff keeps on making the front pages of the big city newspapers and no longer."

Only half way

IDEAS must work through the brains and the arms of good and brave men, said Emerson, or they are no better than dreams. How much the lifting of the depression is due to courageous thinking no one can tell. Some day we may get around to taking a census of ideas, rating them as prime movers and appraising them as natural resources.

Chicago's lively show, "A Century of Progress" is an animated measure of the nation's present stature in science and invention. But no fair, whatever its dimension, can signify the latent and dormant contributions in the minds of men.

As every one knows, ideas are no respecters of size. They sprout in unpromising places and are amazingly tenacious. The little business produces its crop of originality with a minimum of fertilizer and cultivation.

Adaptability, rather than bigness, is the quality to be emphasized in the developing drive for earnings. The wisdom of pushing the nurture of new products, new

methods, new processes in dull days is becoming apparent. Alert managements know that the answer to the question "How deep can a man go into the woods?" is "Only half way." After that, he is on the way out.

Walking toward the light is bound to leave the shadows behind. This progress of our commercial and industrial pilgrims is as much documented with the substance as with the syllogisms of faith.

Ardent seekers after truth are numbered by thousands.

That NATION'S BUSINESS has its share is convincingly revealed through the requests for more and more details. One item alone activated 478 readers to ask for further information. Month after month, the editorial subject matter is focussed on the general target of industrial and mercantile interests.

That it should so consistently define inviting opportunities for the individual is less a compliment to editorial understanding of business and its times than to the readiness of reader enterprise.

A journal entry

THAT practical men are reluctant to rely on legal mechanisms rather than upon man-to-man relationships, is attested by the comment of a banker friend concerning the wave of popular sentiment for some form of insurance or guarantee of bank deposits.

Some such plan may be law by the day you read this. We are willing to print it, however, just for the sake of creating now a journal entry whose yellowed pages may be read by a later generation. The banker said:

History shows that in all periods of financial stress and depression proposals for some form of guarantee or insurance of bank deposits have always been made, but where they have been tried they have proved a disastrous failure.

If the Government inaugurates such a plan, it would probably demonstrate on a larger scale what has been demonstrated in nine states during past years. It would take the banking business a generation to recover from the evil effects of the experience.

The theory is not only unsound, but leads to bad banking of the worst kind.

Hundred less one

"I FEAR that some of these grand new plans are leaving human nature out of account," said a business man to a prominent government official. "Too much slide rule management, and too little knowledge of people."

"And sometimes even the slide rules and formulas fail. For instance, let me ask you a question."

"What is it?" the official replied.

"Suppose," continued the business man, "that there were one hundred sheep in a pasture and one of them jumped the fence. How many would there be left?"

"Ninety-nine."

"That isn't the answer a sheep man gave me."

M.T.



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Pretty soon the ordinary cord droops despondently when relaxed, and when it is stretched again it breaks. But the Super-

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On the road, the punishment's a lot worse than that. Stretch... relax... stretch... 25,000 times an hour. What happens when the cords break? The tire is finished. Which tire will wear longest? Why, the tire with the extra-elastic, shock-absorbing Goodyear Supertwist Cord.

"I knew Goodyears were best. Now I know WHY!" said Mr. Liddle. In three minutes you can

see the same proof. It's money in your pockets to call in a Goodyear Dealer and say, "Let's see that famous Supertwist Test!"

The Merchants Transfer & Storage Company, operating on Goodyear All-Weather Balloon Truck Tires, reports not a single delay due to tire failure. Mr. Liddle says: "Buying on the Goodyear Dealer's specifications and recommendations, we have cut tire costs one third. We find Goodyear quality remarkably uniform and are sure of getting certain mileage out of every Goodyear we put on a wheel."

GOODYEAR

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A MAGAZINE FOR BUSINESS MEN

Fourth of July—New Style

★/IT IS obvious enough that the adjournment of the Seventy-third Congress marks a political milestone in the fulfilment of national destiny. What has emerged from the legislative hopper is more than a grist of statutory commitments setting the country on a new course. The demonstration of the flexibility of the Constitution and the indestructible quality of the American spirit constitute a larger contribution toward recovery.

Even a cursory examination of the new laws must impress the observer with two facts. The first is that the relation of Government to business, for the time being at least, has changed. The second is that the Congress has given the Federal Administration extraordinary latitude in the formulation of policies. Some commentators have gone so far as to regard these changes as signifying a political and economic revolution.

"When the emergency is over, will America be the same?" is a question of the day. Continually the people are told that democracy is in trouble. They may seem to agree, yet they show no stomach for fascism or bolshevism. Willing as acceptance of new remedies may be, a broader understanding of Government and a wider participation in public affairs is the only prescription enriched with the sanction of time. How to preserve the individual and foster the American ideal of self-rule is a continuing problem.

Difficult as the future may be, nothing can divest the present of its invitation to live. Never was the world more interesting. Never was opportunity in America more realistic. True, "roads which were straight have become twisted and angular. Roads which were level have taken on a ferocious incline." Every career, every occupation, every service has been forced to reappraise traditional values. The swirl of

depression forces have put the American way of life to new tests. Individuals have been sacrificed. The nation persists. Obscure heroes perform prodigies of valor unhonored and unsung. They are the unknown soldiers in the fight against fear. Business pushes on ahead of general confidence. Science sustains her beneficent magic and beckons the people to new salients of knowledge. Truth shines with a new luster under the abrasive of hard experience.

Life is stirring. Pang is matched with thrill. Stagnation cannot endure the agitation of change. Ideas are in ferment. The trend of thought and action is forward. Here is revolution as resolute as it is silent. The people have rebelled against fear. They will no longer be denied the things they want. The declaration of their needs is gradually changing the pale cast of trade statistics. The old certainties are still potent if partly dormant. The man who asks "Is America coming back?" does not know the steadfastness of this land. The American people do not adjourn. They are constantly in session. They can always be found. They never close. They lose battles. They never lose wars.

On the Fourth of July, 1933, with the Nation again triumphant over panic, the admonition of John Adams seems peculiarly appropriate.

It ought to be commemorated as the day of deliverance by solemn acts of devotion to God Almighty. It ought to be solemnized with pomp and parade, with shows, games, sports, guns, bells, bonfires, and illuminations from one end of this continent to the other. . . .

As for the inner observance of this noted day, it is everywhere visible—and has been for ever so long—to those who have the wit to recognize courage in its working clothes.

Merce Thorne



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IN following the various signs of business improvement, executives will be interested to know that orders for our machines are showing a decided and steady increase.

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The Truce on the Sherman Law

By MORRIS EDWARDS

★ VIEWED in turn through the eyes of the strategists who conceived it, the officials who are administering it, and the business men who will have to make it work, the National Industrial Recovery Act stands forth as the boldest of a series of bold, swift measures to start economic restoration.

It marks the shift from defensive to offensive tactics, from waiting and hoping to planning and action. In a large sense, it is the Government's way of telling business men to end the depression once and for all.

For three years, business men have sought above all else a means of reversing the downward spiral of property values, volume of business, prices, wages, profits, dividends. In this Act, they have it—at a price.

The measure gives them the power to negotiate and enforce agreements as to minimum wages, maximum working hours, production and, to a degree, prices. The giving of that power calls a truce in the 40 years of mutual suspicion between Government and business, growing out of the Sherman and other antitrust laws.

The price business pays for this power is the partial relinquishment of control over management policies. The individual proprietor gives up his right to enforce his own ideas as to wages, hours, and certain other trade practices in his own plant. He gives it up, not to the Government, but to a group of proprietors among whom he has one voice, and by whose rules he agrees or is compelled to abide.

That is the bargain, effective experimentally for two years. Here is its essence:

If business men will agree, voluntarily if possible, by compulsion if necessary, to put men back to work and raise wages, the Government will do two things. It will refrain for the time being from any more drastic form of control to achieve those ends. Furthermore, it will sanction a control

BY THE National Industrial Recovery Act business gets certain privileges. In return it makes certain promises which you, as a business man, will be expected to help fulfill



Brig. Gen. Hugh S. Johnson

over factors affecting prices to a degree sufficient not only to finance such employment and wage increases but to permit resumption of reasonable business profits and dividends.

In the early consideration of this new arrangement, the attention of most business men was focussed largely upon the "how" and "when" aspects of the proposal. Vital as those aspects are, their importance dwindles unless there is understanding of the "why."

What is the "why" of this vast change? Is it to give business men the privilege of self-regulation as a matter of inherent right? Well, hardly. Is it to rescue distressed business enterprises and enable them to resume making normal profits and paying dividends? Partly, but those benefits are only incidental.

The central purpose—explicit in the Act itself, and hammered home on every public and private occasion by those who will guide its administration—was, is, and will be to restore normal consumer purchasing power by putting men back to work and raising wages.

Any appraisal of the Act, and any plan for seeking the benefits which it grants, fall short unless that purpose is recognized right from the outset.

Those in control of most industrial establishments—whether large or small, whether corporation, partnership or individual proprietorship—see the need of their whole industry for some means of doing away with sales below cost, price

cutting, price discrimination, commercial bribery in one form or another, loose credit policies, selling on consignment, secret rebates, extravagant second-hand allowances, dumping, cancellations of contracts, misleading guarantees, and all the other destructive practices nourished by excessive competition. They, for the most part, would welcome a chance to enter into any agreement against such practices.

The new Act gives them that chance, but before they deal with those problems they must perfect some agreement to shorten working hours with a view to putting men back to work, and to raise wages in the interest of restoring purchasing power. Those things will come first. Wages and hours are to be removed from the sphere of competition.

The man who thinks he can sidestep the matter by doing some fancy shadow boxing with the questions of wages and hours in his plant or in his industry is fooling no one but himself. Pious but vague resolutions will not do. The easiest way to resolve any doubt on the reality of these matters would be to sit for half an hour in the office of Brig. Gen. Hugh S. Johnson, administrator of the Act. Even if not a word were said, it would soon become apparent that when Johnson and his chief aides—most of whom had experience with this sort of thing in the War Industries Board—deal with wages and hours, they wear no kid gloves.

Those authorities are not in the business of decreeing wage or employment standards. Their business is to pass on trade codes, not to write them. But for any proprietor or any industry to nurse the illusion that it can get a trade code approved, unless that code provides a decent minimum of wages and reduces working hours enough to mean some really worth while employment of persons out of work, the awakening will be prompt and unhappy. Some industries have been discussing wage rates and hours which would mean a minimum weekly pay of \$15 to employees, with some variation between sections of the country and between men and women workers, and have been thinking in terms of reemploying their fair share of 3,000,000 workers to be put back in jobs by fall. Those particular figures may not be strictly accurate, but they are accurate enough to indicate the scope and magnitude of the movement.

Small delegations

SO MUCH for the basic purposes of the Act and the determined intention to give them effect. How does it work? The method is for those in any line of business to get together—probably through a trade association already in existence, or through one to be formed in response to present necessities—and agree first as to minimum wage rates and maximum working hours, gradually working from those questions into the other particular competitive practices requiring attention in that line of trade. Such groups must be representative. They must not unfairly exclude anyone from their membership. The tentative agreements must not seek to promote monopolies nor oppress small enterprises.

Once a representative group has reached an agreement, it should appoint a smaller group—perhaps three or five men—to submit the code to the Federal Administrator for approval. The smaller group must be genuinely representative of dissenting minorities. The delegation of power of negotiation to such a small group is vital in the interest of prompt action. Town meetings will not be welcome, and probably will not be dealt with, by the Washington authorities. They can deal only with reasonably small delegations vested with power to commit all the conferees who were parties to the tentative agreement.

When such a group is ready to act it will meet with Gen. Johnson or one of his aides. The Government's negotiator will have probably two advisers. One will be a man thoroughly acquainted with a given industry, but without pecuniary interest in it. The other will be a man representative

of the labor interest in the industry. Out of such a conference presumably will come a tentatively approved code. After an interval for the hearing of minority views, and possible revision, the code will be promulgated by the Government, and will have full force of law upon all who are engaged in the industry to which it applies, whether they were parties to the agreement or not. Violations by any person or firm will constitute offenses subject to court action and fine. The plan reverses the antitrust law provisions as to who is punished and for what. Under the antitrust laws, the penalties were directed against those who entered into agreements to deal with any of the matters to be embraced in these new codes. Under the present scheme, the penalties are for those who violate such agreements once they are approved.

Agreements will be self-enforcing

THE expectation is that these agreements will be largely self-enforcing, and adequate machinery is set up to aid self-enforcement. If one party to an agreement sees a competitor, also subject to the agreement, violating it, the natural impulse will be for the first to enter complaint. Then the formal enforcement machinery gets into action. Note here that the initiative of enforcement comes necessarily from the firm or person damaged by a competitor's violation, and not from the Government.

Obviously, under such arrangements, the best way for a person or firm in any industry to protect his interests is to become a member of the group or trade association which will form the code of fair practice for that industry. By that means he can have his say in determining what the regulations are to be. True, if he wishes to be a minority, he has his day in court when the agreement is up for approval.

An important point is that this procedure contemplates self-regulation by industry, not just in name, but in fact. Industries are expected to reach their own conclusions as to how to deal with their problems without much help or wet-nursing. Even before the Act was passed, industries which asked the Administrator's office such questions as, "What standard of wages and hours do you think we should attempt to set up?" got the prompt response, "That's none of our affair. That's for you to figure out."

That does not mean that, in a general way, there will be no similarity between the basic provisions of the wage and hour agreements of all major industries. Inevitably there will be, but that similarity will result, not from decree, but rather from a consistent policy in approving provisions actually schemed out by industry itself.

In applying this general procedure to any one industry, or section of an industry, some perspective is required. First, primary emphasis in the early stages naturally will be placed upon the big major industries with heavy employment potentialities. Such industries as steel, coal, cotton textiles, copper, automobiles, electrical machinery, and the like, will be in the spotlight first. Also, in the early stages, each of them seems likely to be treated as a whole, rather than having separate treatment for each of its subdivisions.

How, a good many people have asked, can the many separately organized branches of an industry thus be treated? For example, the garment trade has many ramifications—outerwear, underwear, women's cloak and suit, men's suits and overcoats, dresses, etc. Would it not be chaos if each division should adopt separate standards, especially if some companies operated in several different lines? Of course it would. That is why the first consideration will be the garment trade as a whole. The idea will be to embrace in a single agreement certain important, basic factors—hours and wages and perhaps a few others—in a single industry-wide agreement. Then each sub-group can determine the trade practices for its own specialized branch, and get them approved as supplements to the main agreement.

This indicates how the first main provision of the law is

expected to work. It is only when that provision fails to work that the other stronger-arm provisions come into force. They apply when an industry fails to take voluntary action, even though its situation as to hours, wages, prices, is chaotic and is adversely affecting the public interest. At the outset, it should be noted that this does not mean that every industry will be forced to operate under a code, provided that wage and employment conditions are reasonably stable and satisfactory. As a matter of fact, there probably will be some lines, certainly skilled lines in which wages are high and there is no excessive competition, which will have no trade practice agreements. But industries in which wages are unduly depressed, or prices demoralized, will get a touch of the "big stick" if they do not stir themselves.

The "big stick" is a power in the hands of the Federal Government to formulate and promulgate its own code for an industry, if that industry does not move voluntarily. Reason would seem to indicate that, however badly demoralized an industry may be, its principal proprietors would prefer to hang up their arms, enter into a truce and write their own ticket, rather than have a more or less unsympathetic Government write a ticket for them.

There is one further coercive power. If both of the first two methods fail, the Government has the final power to place a whole industry on a strict licensing basis, preventing anyone from engaging in it without a license, and writing its own conditions for the issuance of licenses. This section attracted the strongest attack when the legislation was being considered, and strong doubts as to its constitutionality were expressed. While highly significant as a part of the ultimate picture, it does not have large immediate importance, inasmuch as the foreground will be occupied for some time by industries which voluntarily are entering into the spirit of the new régime.

The big premium in the whole set-up is on early, voluntary action. "Act now," might well be the motivating slogan of almost any line of industry.

Administered under a rule of reason

WHILE the legislation was being drafted, when it was in course of passage, and as it neared its final form, the air was filled with questions by industrialists and business men as to its effect upon some particular concern of their own. Under the swift application of a plan of such breadth and enduring effect, it is apparent that many such questions necessarily will have to go unanswered for a long time. The only consolation on this point is that there is every indication that the act will be administered primarily under a rule of reason, and that questions will be handled on a common-sense basis as they arise.

Even though the time may never come when every specific question can be answered, there are some general questions, most of them growing out of unfamiliarity with the spirit and detail of the Act, which can be disposed of now with a reasonable degree of finality. Some of them follow:

Does our industry have to adopt a code? Not necessarily, but before deciding not to it had better make sure that its situation as to wages and hours is in good order from the standpoint of the public welfare. Certainly a look into the

situation is necessary even though the decision as to coming under the Act may turn out to be negative.

Does the Act mean the unionization of all industries, even those in which open-shop conditions now prevail? Decidedly not. In the early stages, there was great apprehension on this point, but much of it apparently turned out to be groundless. The Government, judging from available information, is neither in the business of organizing trade associations nor of organizing labor unions. It doubtless will see that the rights of labor already recognized are enforced, but existing satisfactory relationships between employers and employees will not be materially disturbed. Although there is no official statement on the point, indications are that there will be no coercion or interference with an open-shop industry which pays decent wages, maintains fair working hours and otherwise serves the essential purposes of the Act.



DOES our industry have to adopt a code of fair practices? Does the Recovery Act mean unionization for every industry? What will be the general rule as to wages? These are some of the questions that business men are asking about the new legislation which, it is hoped, will open the way to recovery. These questions and many more are answered in this article by Mr. Edwards

Intrastate business

CAN strictly intrastate business firms be subjected to enforcement of codes drawn primarily by firms engaged in interstate commerce? The prevailing judgment seems to be that they can, on the ground that intrastate commerce may affect interstate commerce, but the constitutional lawyers are not entirely in accord on this point.

What will be the general rule as to wages? No uniform rule inflexibly enforced, but probably wages in no industry will be allowed to go below what may be decided upon as a socially necessary minimum. They probably will be much higher in industries

in which they now are notoriously low, perhaps a little higher in the industries in which good wages already prevail. But all the talk about wages being definitely geared to some previous wage or price level, or about some inflexible and uniform wage being enforced, is largely moonshine. On the other hand, there is to be no monkey business about wages. The thing sought is a fair, effective wage, not just a fair wage rate. Weekly income per worker will be the figure at which the administrative officials will cock their eye.

What about adjustments between regional portions of the same industry? Beyond the belief that regional advantages will be preserved, except where they result from exploitation of labor, there is not yet much that is definite on this point.

What about the firm which engages in many lines of industry? Can it reconcile all the agreements to which it is expected to be a party? Officials of such firms seem to be losing their apprehension on this point, and it is indicated that the rule of reason will have particular force here. The president of one large corporation, asked whether he could deal with this question satisfactorily, grinned and said, "Sure we can, if we really want to."

What if we cannot agree within our industry? What then? Well, boys, that will be pretty much too bad. Better try a little harder to agree before coming to a deadlock, for there is plenty of punch in the compulsory provisions of the Act.

As a small proprietor in an interstate line of business, what should I do? Hunt up your trade association. This is a group proposition and you'd better stick with your group.

How permanent is this likely to be? Will the whole thing pass out after two years? Two years is a long time to see how a thing works, especially when it has the speed con-

templated in the enforcement of this Act. Save the worries on this question for awhile.

How far will minimum price control be permitted? Certainly far enough to assure ability to pay decent wages and work decent hours, and to pay management a reasonable profit. Probably minimum price control by direct agreement will be necessary in industries, such as coal and oil, in which serious over-production is a dominant problem. In other industries, there will be less emphasis upon direct price-fixing.

Take such an industry as oil, for example. It is likely that some degree of production allocation or rationing will be permitted; that hampering conflicts between the regulatory authorities of different states will be ended, and that some steps toward the setting of a minimum price for the controlled production will be sanctioned. On the other hand, for fear of slowing down initiative and efficiency, it is likely that there will be a minimum of actual price-fixing in other lines of industry. Many factors controlling price will be made uniform, but prices themselves probably will not be decreed.

If "selling below cost" is tabooed, just how would that be managed? Would the *average* cost for all the units in an industry control the price, or would the costs of *each unit* indicate the level below which that unit might not sell its product? Probably the latter; otherwise a penalty would be placed upon efficiency.

How far will this Act apply to distributive and retailing businesses? Not definite yet, but the impression is that it will extend far enough to assure that the efforts to bring order into manufacturing industries are not defeated by unethical or vicious trade practices in their retail fields.

Who polices all these industries? The answer is the same as to the question, "When you see your kid brother trying to sneak off with a piece of pie that you have both agreed to divide at a given time, who tries to prevent it?"

What can be done to prevent a code applying to interstate commerce and the firms engaged in it from being utterly destroyed by competition from low-priced imports? This depends to some extent upon American policy after the London

conference. There can be no doubt as to this danger being removed if America strikes off on a definite policy of nationalism, for there are plenty of teeth for this sort of thing not only in this Act but also in the 1930 Tariff Act. But, in the event of an American policy of world cooperation, the question still requires an answer, and becomes one of major importance in the whole plan.

What is Johnson like? Regular fellow, very direct, rugged in both appearance and habits of action, mighty well informed, reputation for good judgment, long experience in dealing with vast projects (remember the Draft Act and the War Industries Board), a little inclined to be hard-boiled, has little tolerance for delay, contemptuous of government red tape in the ordinary sense. Don't worry about moving him to act once you have an agreement ready. The pressure will be the other way around.

It is too early to forecast the ultimate effects, even the immediate effects, of a change in policy as sharp and swift as that represented by this Act. Some ancient cornerstones of business undoubtedly are being moved, but there is strong sentiment that they are landing on solid ground.

One man, perhaps as close to the framing of the legislation and the beginning of its administration as any other one person not actually connected with the Government, had this to say:

"This Act should be the salvation of industries suffering from excessive competition.

"It changes just a little the formula that it is the manufacturer's duty to produce, and the consumer's right to receive, commodities and manufactured articles at the lowest possible price. That rule continues, insofar as progress from technological developments, plant efficiency, economy in distribution, style, appearance, convenience, quality and other necessary competitive factors are concerned. But this Act says definitely that no one profits from cheapness and low prices when they are the product of paying less than a living wage to workers and of paying less than a fair return to invested capital."

The Local Chamber's Job in Recovery

By ROSCOE H. GODDARD General Secretary Worcester Chamber of Commerce

★ WHEN the war came on our chambers of commerce found no difficulty in laying down their routine activities and doing essential war work in an efficient, even a brilliant, way. Again, the depression brought new obligations and duties upon the local chambers and they were absorbed just as readily as in wartime.

Today, the National Industrial Recovery Act brings a new challenge for the local chambers. I have no doubt that the majority of them will rise to the occasion as they always have and will meet this new emergency with the same efficiency they have shown in meeting emergencies in the past.

The difficulty of this new task is in-

DOES the Recovery Act end the need for the local Chamber?, has been frequently asked since the bill was proposed. "Emphatically not," says Mr. Goddard. "The job is bigger now than it has been since the war."

created by the fact that, unlike the trade association, the chamber is assigned no definite job under the new act.

Although details of operations under

the provisions of the bill are still in doubt, the corner stone of the whole plan seems to be this:

The national trade associations are about to become the dominant business men's organizations of the country. Under the act, they will become virtually government instrumentalities. Business firms may even be forced to take membership in them as well as to obey the codes and regulations which they set up. This will not change the objectives of the national trade associations but it will put in their hands the power and authority to force recalcitrant minorities to do the things that their welfare and existence depend upon their doing. So the job is laid right in the lap of

(Continued on page 64)

What's Ahead in Washington

W. M. KIPLINGER *Writes About the Outlook*

Dear Mac:

YOU asked a lot of specific questions which I can't answer. Things are still moving so fast here that no one, not even the officials, can figure out the details of policies a month hence. One thing I *can* do is to give you a general sense of direction, or perspective, or proportion, or background. Plans are confused, but they aren't chaotic. The Administration has a set of ideas which are more or less related to each other, which aren't just helter-skelter. I can tell you *approximately* what they are. Approximately. Don't believe 100 per cent what I tell you, or what any one else tells you out of Washington these days. All information, all advice, is approximate.

Thanks for your dose of complaints on last month's letter. Some of them were good and rough. I'll not defend. On some kicks, I'm inclined to agree with you and side against myself. On others, I'm inclined to think you are wrong and only half-awake to the situation here. On these latter, I think you are going to wake up six months or a year hence and discover that you were following your own ideas as to what things *ought* to be, instead of signs of what they actually *were*.

Sometimes I think you are an idealist—an idealist for the old order. I respect your idealism, but I think perhaps you lack a bit of the common sense that dictates a shift of mental attitude toward the new order. Yes, I know you think the talk of "new order" is largely poppycock, a product of political emotion. And you may be right. One can't *know*. But, as a reporter of Washington, I don't happen to agree with you.

Depression Over?

fall, or gradual and moderate. Most think it will be moderate. High officials are afraid of a speculative boom. Fundamentals are not yet good enough to support a boom, and it would be followed by a collapse.

Executive Dictation

months will be featured by executive decisions.

Naturally these decisions will displease many people. There will be grumbling that the Administration is going too far, and that it does not go far enough.

The honeymoon is now over, the hard work is beginning. The governmental perplexities of the next six months will be greater than in the past three months.

World Conference

Some monetary reforms probably can be effected, but it

PRACTICALLY all Washington technical men now think that the low of the depression has been passed. They disagree on the question of whether revival will be sudden in the

fall, or gradual and moderate. Most think it will be moderate. High officials are afraid of a speculative boom. Fundamentals are not yet good enough to support a boom, and it would be followed by a collapse.

AS a point in perspective, consider that Congress since March 4 up to the present has been busy delegating powers to the Executive. The real show now starts. The next six

NEWS from London ought to seem good through the first half of July. Then hopes probably will bog down, as the nationalistic ambitions are brought out into the open.

seems highly doubtful whether anything more than very moderate reforms can be accomplished.

Nationalism

IT is commonly assumed in Washington that the United States will be driven to economic nationalism—not absolutely, of course, but in this general direction. It looks as if we should not be able to put much emphasis on our export trade in the next few years.

The reciprocal tariff policy is in the right direction, but surely it will take years to make the American public accustomed to the idea of letting in imports, even though these mean increasing exports. The concentrated opposition of the producers who are hurt by competitive imports always exceeds the scattered approval of consumers or of export-producers.

Inflation

THE administration intends to use as many of its inflationary powers and in whatever doses are necessary to raise commodity prices further. The precise means and instrumentalities are still undetermined.

A managed currency, off gold, probably can be expected for some months yet. O. M. W. Sprague will direct the operations, and he is highly capable.

Devaluation of the gold dollar, perhaps late fall, is still a strong possibility.

No one is in position to say how strong the chances are. I think of them as being more than 50-50.

The Administration hopes to keep commodity prices from sagging this summer. Of course, some commodities have gone too fast too far (wheat, cotton), and there must be adjustments, while other commodities catch up. The Administration hopes to use inflation and the artificial agreements under industry control to force prices further upward in the fall.

Industry Control

I SHAN'T tell you much about this, because you are already overloaded with reading matter on it from other sources. I'd like to put a bug in your ear, however:

Officials talk publicly about this industry control scheme as temporary, for the emergency only, just a year or two. The purpose of this talk is to minimize the alarm during the period of harassment—the next few months.

Most of the private talk of officials is to the effect that the system of government control, or forced integration of trades and industries, will be permanent, in one form or another. I personally feel almost certain that it will be permanent.

There's much emphasis on the *voluntary* spirit of the thing. Yes, most of the new measures will be voluntary. But you know, and everyone knows, that the time will come when recalcitrants will appear in every trade and industry. Then the Government will use its powers of compulsion.

The whole control business will be in a mess for a few months yet. But substantial reforms will be effected, and it will be a "good thing."

Flop Later?

person wonders whether and when the system will fall down. There is no factual answer. There are merely sour theories of failures, and sentimental hopes of success.

A majority of well informed thinkers think this: For the next year, or perhaps year and a half, the new schemes will give an impetus to business, so that there will be something resembling moderate prosperity. Meanwhile, there will be great blunders, great new false relationships, and the cumulative effect of these errors will bring a new set of critical problems a year or more hence.

Our economic and social and political intelligence is certainly going to be put to severe test. It is psychologically certain that during the next year, we shall have a great burst of "get together" impulses and propaganda.

Already Washington has a bit of the spirit which prevailed here in 1917. There is the same eager determination to turn the wheels, the same kindling of new spirit, the same falling-all-over-each-other, the same big-boyish enthusiasm over a new game to play. It will take a while to get down to earth.

Socialism, Competition

to the American system.

I meet and get letters from many business men who don't understand the significance of the changes. They think the whole thing is just "flurry" or "monkey business." But it seems to me, as an objective observer, that the changes now occurring are mild in comparison with the changes which will be in process of occurring a few years from now.

Keep in mind that competition will not be abandoned. Personally, I think it will increase—new technical processes, new plants of greater efficiency than the old, new labor-saving devices, new alignments in distribution, lower costs, better products. Industry control will not protect the inefficient in any line; rather the contrary. This point will come out in the official actions very soon.

Profits

Private ownership, private initiative, private profits—all of these are retained and used.

Competition is to be trimmed at the fringes, but not at the heart.

Decentralize Industry

The Tennessee River development is one thing which will pull industries from their present locations into a new cheap power area. And this experiment, if successful, will be followed by others.

Railroads, organized for long hauls and export trade, will feel the effects of decentralization.

Railroads

petition of industry that is discussed above.)

WE are building up a great system of government-dictated artificialities, including inflation, government credit, government competition, government control. Every intelligent

YES, of course, all this new stuff is socialistic. It isn't Marxian socialism. It's a brand which we are developing under force of exigencies, an adaptation of orthodox socialism

THERE'S no fundamental threat to profits in all this industry control theory. The profit system is regarded as a useful and practical instrumentality for making men work hard.

ALL of the current thinking is along the line that industry and business will slowly move toward decentralization, instead of being piled up in great centers.

THE new law isn't drastic, but it is enough to start the process of elimination of duplicate competitive facilities. (Competition in the railroad sense is different from the com-

Note that the law now lays down a new rule for rate making. The emphasis is on service to the public, rather than on the old fictitious "fair return" and the protection of earnings on investments. This is highly significant of a new direction of national policy, for not only railroads but all business.

Securities

THE new "truth in securities" law probably will be administered so as to favor established business units, whose securities might be considered tested and seasoned. There will be a tendency to discourage unnecessary new projects, such as were created during the boom, mainly for purposes of stock flotations. The new law is not only a protection against fraudulent or near-fraudulent securities, but also a bit of a protection against excessive plant expansion in the future (when wild boom times come again, as they will, unfortunately).

Business Organizations

IT IS obvious that there is now a new need for business organizations such as trade associations, chambers of commerce, associations of manufacturers, etc. These groups expect cooperation *within* themselves. By the same token, they must hasten to develop cooperation *among* themselves. Organizational jealousies must be minimized. This is particularly needed here in Washington.

Business men ought to realize that government control and government dictation comes only when private interests fail to agree among themselves on policies which are in the public interest. Every kick against government control may properly be translated into a kick at private business for having failed to do what the Government now requires it to do.

Publicity

THE mechanism of the relations between a Government and its public is a subject on which light ought to be shed occasionally. The newspapers don't do it much, because they regard the mechanism as one of their professional secrets. In government, it is one thing to do a good job behind closed doors and to trust that the public will eventually appreciate the good work. This trust is not always warranted. The public is apt to get wrong ideas. It is essential to show the public currently, all the time, the what's, the why's, and the how's of government.

Mr. Roosevelt himself has a good publicity sense. He knows how to "use" the press, the radio, the various disseminators of information. His press conferences are marvels of free and easy talk.

The White House secretariat has jumped into the news and on the air, and has been guilty of cheap and shoddy publicity practices, and bad taste. This will hurt Mr. Roosevelt.

Mr. Moley understands and appreciates the uses of publicity. His current series of published articles are dignified, in good taste, will not embarrass the Administration.

The State Department, from Mr. Hull down, does more talking, more explanation, than under any preceding administration. The idea is that there is nothing so dreadfully mysterious about foreign relations and that the public ought to be taken in on them, even at the risk of occasional embarrassments abroad. Advocates of the old secrecy policy consider the new State Department "loose tongued."

The Treasury's public relations are and always have been weak. There's something about the financial mind which dotes on secrecy. A result is that the public does not understand government finances. The Treasury has many trials and tribulations which could be solved by a policy of taking the public into its confidence, using the publicity mechanism for educational purposes.

The Department of Commerce always has been well publicized—excessively so in the past. Mr. Roper's attitude toward the press was parson-like in the beginning, but he is now learning.

The Secretary of Labor, Miss Perkins, started by high-hatting the press, complaining about picayunish points, showing trivial irritations. As a consequence, you don't read much about Miss Perkins in the news. When the press discovers a new Cabinet member in this frame of mind, the press backs off and lays off.

Mr. Farley, who distributes patronage and who incidentally runs the Post Office Department, understands and uses publicity well.

Mr. Ickes, Secretary of the Interior, feels annoyance at the prying press.

The R. F. C.'s policy is to pretend to give out news, but actually to give out nothing really illuminating. The press is too busy with other matters to dig into the R.F.C. A year or two hence, there will be an airing, and it will be none too pleasant. These things always happen. Officials never get away with secrecy very long.

The Department of Agriculture has indifferent press relations, but Mr. Wallace has publicity intelligence and doubtless will remedy the situation.

Mr. Morgenthau of Farm Credits likes and uses publicity.

General Johnson knows how to use publicity to help him do his industry control job.

Publicity from one branch of the Government often conflicts with publicity from other branches. These conflicts react often on the Treasury's problem of maintaining a market for government obligations.

The record to date is fairly free of publicity favoritism. No writer or group of writers can be said to be unofficial "spokesmen." This is a good point.

Taking the Administration as a whole: The President himself has publicity sense, but the intelligence doesn't permeate the Government to any great extent. By this particular standard, the new Administration is not much of an improvement over the Hoover Administration, whose great weakness lay in its public relations.

The Washington press itself is fairly independent. Democratic writers don't toady. Republican writers have not been captiously critical. They have leaned over backward in an effort to keep straight.

But the Administration's relations with the public, through the press, will begin to assume new perplexities, now that the honeymoon is over, and now that the Executive branch is deciding policies dictatorially.

Tag Ends

HERE are bits of things which aren't news, but which reflect topics of current Washington talk and thought:

—Congressmen will soon be back home, listening to their constituents talk to them, feeling secretly very humble, very apologetic, very defensive, as members of Congress usually are, despite their bold exteriors. They will find, probably, that constituents are still for the spectacular Roosevelt. But, oh, the troubles Congressmen will have from the veterans!

—Some of us get more money than we spend currently, and we are compelled to make what are called investments. In the past, we have relied upon salesmen for guidance. These salesmen misled us. Now we don't trust them. Consequently, there are arising men and groups of men called "investment counsellors." They work only for investors, they draw income only from investors, they play only one end of the game. Their value depends on two things: Keeness of judgment and integrity. Some of them are good. But shysters are developing among them—individuals and organizations whose interest lies not with the buying investor, but with the selling promoter. Wolves grow the fleece of sheep.

—Life insurance is an investment in averages of the fu-

ture. Most of us deal with insurance salesmen—men who plug for a single company. Now there are developing men who look to the interests of the investor, who are independent of any single life insurance company, who call themselves "brokers." Surely these men and this function will grow.

—Life insurance is roughly comparable to banking as an important social function. Banking is definitely within the circle of federal regulation. Life insurance is on the fringe. Banking has had its debacle. Life insurance has reached that degree of bigness which is almost sure to result eventually in some form of government supervision. Life insurance presidents criticize any one who says this. But life insurance policyholders have a right to know it.

—Mr. Woodin six months hence probably will be an amiable foreign ambassador of the United States. In Germany, for example, he would glow. The man has great merits of personal amiability. As Cabinet Member, he is limited.

—Young Mr. Lew Douglas is the logical next Secretary of the Treasury. Trouble is that his good budget trimming job makes him broadly unpopular, for economies always create ten enemies to one friend.

—During the campaign last year, I wrote you suggesting that the new administration would steer toward drastic reorganization of government, then hesitate, then back up. This hesitation is now occurring. The friends of *status quo* always exceed the friends of government reform.

—"Little brain trusts" are being developed by many monied Congressmen and Senators. Public men represent the lay influence, the broad political influence. If they can afford to hire technical brains, so much the better. Semi-seriously: It would be national economy for the Government to appropriate enough money to hire for every member of Congress a technically-trained assistant thinker.

—"The professors" are doing right well. In my office, I keep a card file of all important bills. Cards show the names of public sponsors of the bills, and also secret information concerning the identity of men who actually did the thinking and the drafting of the bills. Increasingly, the names of academic theorists appear on these records as the real authors of bills.

—Business men know isolated facts well. Theoretical men know these isolated facts poorly, but they know the relations between the facts.

—Some of the party patronage practices are raw. Frequently jobs are dispensed after full examination of how much the applicant or his sponsor contributed to the campaign fund. This is not essentially different from Republican practice, but it is on such a big scale. Party affiliations also play a part in government loans. This administration has greater opportunities for corruption than any administration since the war. It must watch its step.

—Perhaps the emblem of this Administration at this time ought to be *shirt sleeves*, rolled up to the elbow. The economics are shirt sleeve economics. The experiments are shirt sleeve experiments. The object is to get things done. Right or wrong, get 'em done. This is a trait peculiarly American.

—In another sense, the white shirt sleeve is important during the next couple of years. The white shirt, white collar class can pull us out of this depression, if it wishes, if it will roll up its sleeves. If it doesn't, then we shall have black shirts or brown shirts.

Yours very truly,

Wm. L. Hughes

June 10, 1933.

Letting Modernization Sell

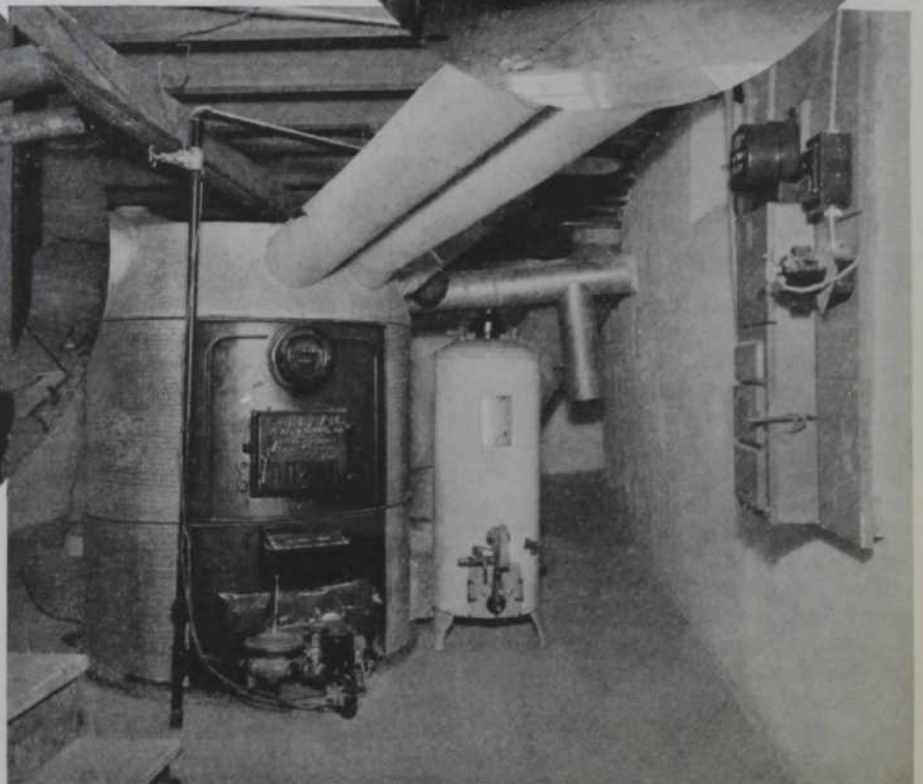


The kitchen of Elmira's model house (before and after remodeling) shows what can be done with small expenditure

COOPERATING with suppliers and the building trades, the association of commerce of Elmira, N. Y. has provided a community object lesson on the value of bringing poorly conditioned property up to date



The way the builders found the cellar of the house, and the way they "renovized" it



Itself



This startling transformation is a constant reminder to Elmira citizens that a house need not be out of date just because it happens to be old

★ WHAT modernization means on paper and what it means in the substance of property improvement has been eloquently translated through the renovizing of a house in Elmira, N. Y. This community object lesson in reconditioning is provided as a promotional activity of the Building and Real Estate Division of the Association of Commerce. It is based on a careful survey of housing which revealed many poorly conditioned dwellings and a lively potential demand for modern structures.

How to overcome the depreciation and obsolescence of a representative house was the problem to which Elmira suppliers and building trades addressed their resources. To show the nature of the new work some of the rooms were left untouched. Low prices for materials and labor were emphasized in pointing out the desirability of immediate authorization of improvements on other properties.

A check list of repairs was made available to property owners. The Division also offered a free advisory service, which included plans and estimates, and the selection of proper materials and dependable workmen.

"What about the appearance of your home?" was made a leading question of immediate personal significance. Answers in the direction of modernization were stimulated with suggestive considerations of "looks" with regard to external lines, sidewalls, paint, room layout, floors, decoration, bathroom and kitchen, windows, doors, and entrance. Landscaping also had its proportionate accent.

"What about depreciation?" opened the way to discussions of general conditions—the serviceability of founda-

tions, gutters, downspouts, basements, heating and ventilation, and plumbing.

As the Elmira Association of Commerce views the situation, whether the owner of a house lives in it himself or rents it to someone else, he receives a definite return from his investment. The principles involved in caring for that investment are the same in either case. Two kinds of depreciation inevitably take place to reduce the value of any fixed utility such as a house. One is physical depreciation which proceeds from the wearing out of the building from use and from age; the other is obsolescence which signifies a backwardness in design and equipment. As up-to-date property enters the field, the market value of old property declines and, though its value in use may remain the same, its value as an investment shrinks. Its owner, even though he uses it as a home for himself, also suffers from its obsolescence.

Keeping the value up

BOTH kinds of depreciation must be cared for in some manner. The owner can allow his present investment to disappear, and thus "use up" what he has placed in the property. He can set aside a part of his income from the property, or from his use of it as a home, thus creating a reserve or sinking fund which, over a period of years, will replace the worn-out building. The replacement of loss due to physical depreciation will usually be made by repairs, painting, and the like, while that owing to obsolescence will be met by "modernization." The style, design, utilities and equipment of the house are brought up to date, so that it continues to keep its place among the desirable buildings in the community. In this way the investment is safeguarded and the desirability of property does not lapse.

It is the purpose of the renovizing campaign in Elmira to urge the hundreds of owners of poorly conditioned property to use the present price opportunity making indicated improvements in their own interest.—R. C. W.

No Business Can Escape Change

★ **With a new radio gadget** your garage door is opened simply by pulling a knob on the instrument board of your car as you drive up. A small automatic transmitter in the car, which broadcasts a code signal to an automatic analyzing receiver in the garage, turns the trick. . . .

A new attachment for standard pneumatic-tired wheels permits buses to run on either rails or highways. Transfers from rail to road and *vice versa* are said to be made easily, quickly. . . .

Attached to the front of a popular car, a new power take-off develops 20 h.p. belt power, is said to allow usual use of the car, to be easily installed, quickly attached or detached thereafter. . . .

The new electro-deposited copper is now available in roll-roofing form. The copper sheeting (three ounces to the square foot) is backed by an asphalt-saturated fabric. . . .

Asbestos-cement siding is now being textured to resemble rough natural brick laid in mortar. Brick faces are slightly elevated, so that the finished job's said to look like real brick. . . .

A new transparent exterior waterproofing for brick, stone or concrete walls (above grade) can be applied to wet or dry surfaces, it's said, in almost any weather and at any temperature down to 32 degrees. . . .

Window screening made of a new metal alloy is now available. Silvery white, it's said to be highly resistant to corrosion and staining, to last as long as the frame. . . .

A lightning arrester is combined with an entrance fitting for radio aerial and ground wires in a device which can be installed through a single small round opening in the wall. . . .

Made in tablet form, a new weed exterminator is simply pushed into the crown of dandelions or other lawn weeds. It is said to be non-poisonous to animals, to leave no scars in the lawn. . . .

A permanent, all-metal awning for store fronts has been devised which allows unhampered air movement and passage of refracted light, yet keeps the sidewalk dry beneath. . . .

A new cement-lined, corrosion- and tuberculation-resistant steel pipe is available for carrying hot or cold water, saline or acidic industrial wastes. The lining has a low-lime, high silica content, and less than one-third the solubility of ordinary cement. . . .

Used and surplus oil is drawn off elevator guide rails and filtered into a can by a new device which is attached to the rail near its base. . . .

Individuality is lent milk bottles by a new process through which colored-enamel designs and letterings can be fused directly into the glass. A similar process is being used in making druggists' prescription bottles. . . .

MARKETS as well as money have been lost by many businesses during the past few years.

New products or processes are in many cases proving effective means of recovering both

Paint mixing is expedited by a new device, made to clamp on any 3.5 to five-gallon pail, which permits a mixing paddle to be turned by a hand crank. . . .

Paper excelsior is sealed inside a paper container to make a new all-paper packing pad, said to be soft, flexible, resilient. . . .

Burlap bags with separate parchment liners have long been used to ship various commodities. Now they're being improved by having the liner cemented solidly to the burlap. . . .

No corrugated board stiffeners are needed in a new mailing envelope for photos, etc. Made of kraft lined board, it is folded to give three thicknesses at corners, locks without sealing. . . .

Parcel-post weighing is speeded by a new automatic computing scale. The parcel is placed on the scale, the proper zone key is pressed, a shutter exposes the postage. . . .

"Blind spots" are eliminated in a new goggle having cups made of transparent, spark-proof material. It can be worn over spectacles. . . .

A new fully automatic anthracite furnace produces steam which operates a complete year-round air-conditioning unit, laundry clothes drier, refrigerator, and also provides hot water and ice water. . . .

A new textile yarn, made from a purified cellulose base, is offered for use in rugs, draperies, beach costumes, etc. It's said to be strong, heat resisting, absorbent, to take brilliant colors and waterproofing. . . .

A 72-inch roll of note paper an inch and a half wide, as well as eraser and leads, is carried in a new automatic pencil. . . .

Characters engraved in templates guide special pens in a new draftsmen's lettering outfit, the same characters serving to form either straight or slanting letters. . . .

Rapid removal of skin and scales from salmon is effected by a new machine. It's said to work only on fresh, firm fish, and to leave the meat undamaged. . . .

The poor fish are being offered a new cheese bait. Prepared for hook or net, it's made of cheese trimmings, pasteurized. . . .

—PAUL H. HAYWARD

EDITOR'S NOTE—Material for this page is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business information into our offices in Washington. Further information on any of these items can be had by writing us.



Carpenters are offered a new folding scaffold bracket which is quickly anchored in place

Why We Need a Minimum Wage Law

By FRANCES PERKINS Secretary of Labor

IF THE ten per cent of business men who are willing to exploit labor can be controlled, says Miss Perkins, I feel that the others can be depended upon to fix fair standards of hours and wages

★ A MAIN STREET merchant strolls through the empty aisles of his store to stand for a moment in the front door and look across the street where a constant stream of customers pouring in and out reveals that his competitor is finding business brisk even in these hard times. A sign on his competitor's store reads:

DRESSES
Special \$4.95

Some of the dresses are on display in the show window. Our merchant friend inspected them this morning. The materials are good. The style is good. The colors are the newest. Similar stock in his own store carries much higher price tags.

Our merchant is no fool. He knows pretty closely his competitor's rent and overhead. He knows the cost of materials. He knows that his competitor may be able to sell dresses of this quality at this price occasionally because of a "fortunate buy." But he knows, too, that, if his competitor can do this consistently, it means only one thing:

Those dresses are made by sweated labor in one of the fly-by-night shops that have sprung up in a dozen states as a result of this depression.

If our merchant is like 90 per cent of American business men, he doesn't like sweatshops. He understands that security for himself and for the country depends on building the purchasing power of the wage-earners.

He knows that women and girls—and frequently men—who toil ten hours



WOMEN'S BUREAU, U. S. DEPARTMENT OF LABOR

Shops like this where wages are frequently as low as 95 cents a week are a threat against our economic health

a day for pay checks ranging as low as 95 cents a week are a threat against our economic as well as our social health.

But our merchant has overhead and taxes to pay. He must buy merchandise and meet pay rolls. To do these things he must have customers and customers are buying on price.

The future looks brighter

IN the past, the merchant has had only three courses of action. He, too, could patronize the sweatshops. He could bully his regular suppliers into meeting the sweatshop prices, which would mean that they would have to

cut wages to sweatshop levels, or he could go out of business.

Today his prospect is brighter. Through the "National Industrial Recovery Act," the Government is coming to his assistance. This bill has passed through many changes. It may pass through more before it is finally adopted. But, whatever its final form, its purpose will be to protect the reputable business man against sweatshops and other forms of vicious competition which force down wage scales and buying power.

Figures recently compiled show how badly this protection was needed. A survey of 39 individual clothing manufacturing plants in Pennsylvania last

fall showed that half of the 4,000 women employed earned less than \$7 a week when working full time. The lowest median was in a shirt factory in Northumberland County where half the women earned less than \$3.00.

In the total of 113 clothing factories studied in October, 1932, half of the 10,000 women employed earned less than \$7.45 a week. Half the 607 children under 16 earned less than \$3.31 a week. For the 1,300 men employed, the median wages were only \$10.31.

These earnings include a small proportion of part-time workers but the large majority of the firms reported they had operated a full schedule of hours during the pay period. Two-thirds of the women were employed by firms reporting scheduled hours of 50 or more a week.

In the textile industry, wages were somewhat higher, but one-fourth of the workers were earning less than \$10 a week and half were earning less than \$12.25 a week.

These figures were taken only where the workers showed more than 48 hours a week.

Shocking as these figures are, they do not give the current picture. In a recent letter, the Deputy Secretary of the Department of Labor and Industry says:

"As bad as the earnings were at the time of the study made by the Department in the fall of 1932, they are much less now, as indicated by the incomplete returns from a study now being made."

Pressure on all wages

AS WAGES in these shops fall, it means an increased pressure for lower wages throughout the industry. But it means more than that. It means, in fact, lower wages in every other industry. Certainly people working for ten dollars a week are not a market for automobiles, or gasoline, or radios, or motion picture tickets; for any commodity, in fact, except the barest necessities of life—and frequently not even for those. One worker writes me:

"It is enough to drive girls insane. Cannot get the necessities of life when board is taken out."

Another says:

"... if you only add up what I and many others do live on, not even the price of shoes, you may think it is exaggerated. . . ."

This effect on other industries is stressed by the Massachusetts Minimum Wage Commission which points out that every council of prudence and regard for the industrial future of a city should prompt chambers of commerce and banks to discourage the establishment of such enterprises.

"Continuation of poverty wages," the statement points out, "means degradation of living standards, degradation of the worker, and unsound competition

to established concerns who are still trying to pay a living wage."

Sweatshops are comparatively new in Massachusetts, but an investigation by the Commission in February and March a year ago showed rates as low as ten cents—in one case five cents—an hour paid to girl workers in Fall River. Of 1,616 employees in 13 plants manufacturing women's underwear and women's and children's dresses, half earned less than \$8.13 a week; 71 per cent earned less than \$10. Only three per cent earned \$15 or more.

In one women's apparel shop the 24 time workers for a full time week could earn only from \$4.80 to \$7.68. In another, more than 50 per cent of the women's and girls' earnings varied from five to 15 cents an hour—from \$2.40 to \$7.20 a week. In five men's furnishing shops more than half the employees earned less than \$7.46 a week. Of 476 employees, only 42 earned \$12 or more and only five as much as \$15.

In New Bedford, in five muslin underwear shops, two-thirds of the girls and women earned less than \$8 a week. Two of the same shops, two months later, showed the course of wages still further downward—nearly three-fourths earning less than \$8 a week. Seventy-nine per cent of the piece workers in men's furnishing shops were earning less than \$9 a week. In one such shop, of 218 workers, only 30 earned as much as 25 cents an hour; 26 earned ten cents an hour or less.

In clothing shops in Lawrence, the same low wages are found. Of 202 women employed in three shops, 15 per cent earned less than \$6, and half less than \$10 a week.

In some cases these wages may not be for a full week's work but, the Commission explains, if the piece worker stays full time in the place of employment waiting for work, this represents all she can hope to get per week from that job. Where piece rates could be ascertained, the total that could be earned for a week's work of 48 hours presents the same low wage picture. For instance, in five New Bedford women's apparel shops, out of 101 women, 90 per cent would be unable to earn as much as \$9 for a week of 48 hours.

These figures are for a year ago and the trend since then has been constantly downward. Sometimes hours have been lengthened while pay remains the same. More often longer hours have been accompanied by reduced rates. Legal standards established years ago for the protection of women and children workers have been ignored as the Connecticut Commissioner of Labor notes in reporting an influx of needle trade sweatshops. These shops leave New York to escape the 48 hour week and other more stringent factory regulations. Connecticut permits a 55 hour week, but the Commission reports cases

of children working 80 hours or more a week; that hours are often 60 or 80 a week, including Sunday. He reports that employers punch time cards for the legal number of hours and then require overtime; that some employers, under pretense of hiring learners, get girls for two or three weeks for nothing until they learn the business, then discharge them and replace them. Some pay as little as \$3 a week. Six dollars a week is a high wage. One dress shop paid \$1.80 for 80 hours work, 65 cents for 58 hours work and \$3 for a week's work.

The industrial investigator for the department reported many cases of withholding wages from employees and points out that the "runaway" sweatshops can move so easily that they can and do leave town with wages still owing to employees.

Licensing will stop "runaways"

THIS ability to move to places where inspectors are not on the lookout for him and to leave quickly when discovered is of vital importance to the sweatshop operator. It is an ability which the licensing provisions of the proposed National Industrial Recovery Act—if carefully enforced—will do much to remove, but, while he has it, he is able, not only to escape detection but to locate his plant in almost any vacant building in a community where local wage-earners have long been out of work. From the wives and daughters of these unemployed he recruits his labor. He sets the rates, figures the pay slips, determines hours of work.

"Quit, if you don't like it," is his reply to any complaint.

Strange as it may seem, this invitation is seldom accepted. The desperation with which these people cling to their pitiful jobs was shown at a hearing conducted by Dr. Jacob Hollander, political economist of Johns Hopkins University, after a clothing workers' strike last fall in Baltimore. One of the workers testified:

"They called my girl friend and me to the side and said they would have to lay us off for a couple of weeks. I asked him not to, not for my sake, but for my children's sake and he said there were girls there who had to look after their husbands. He said, 'You are only making a couple of dollars a week. It is best to go somewhere else.' I told him that couple of dollars was keeping a roof over our heads. If he laid me off we would be put in the street."

New York has also seen an increase in sweatshop conditions. For example, in men's clothing shops, employers offered a wage of \$7 a week for cleaning men's pants. After the first few weeks, however, payment was made by the piece at a rate of one-half cent for each pair cleaned. Cleaning included cutting

(Continued on page 56)



JULY · 1933

Vol. 21, No. 7

Published at Washington by the Chamber of Commerce of the United States

Charting the Course of Business . . .

Business accepts partnership . . .

★ AMERICAN industry was quick to accept the proffered partnership with Government. However, press reports in early June which said that more than 130 trade associations had taken tentative steps toward reaching trade agreements should not be taken too literally. No doubt that number, perhaps more, have held preliminary meetings, have gotten in touch with some government agency or the United States Chamber asking counsel.

But as yet few organizations are prepared to submit a complete program to the new administrator. There are too many things to be ironed out, too many industries which hesitate about agreeing to pay higher wages until they can figure where the money for wages is coming from.

Problems of foreign competition, of differing production costs within the industry, of existing contracts based on lower wage schedules, are still to be met.

But the important fact is that, as a whole, business is ready to enter the new partnership, to do its best to make the new idea work.

Business is not yet well . . .

★ BUSINESS faced the summer with more hope and more courage than it has felt in three years.

Practically every major index of business moved up in the spring months. Automobile sales were gratifying; consumption of electric light and power increased; car loadings were a little better.

Talk with business men, however, and you find them still reluctant to declare that business is really going to get better and stay better.

They recall similar periods of "pick-up" and are cautious. The wounds of four years are not yet healed.

What's real recovery? . . .

★ A SOBER-SIDED correspondent of the *New York Times* wirelessly this from London the other day:

It is feared here that speculation is very largely responsible for the improvement in business and that commodities are not going into consumption at anything like a corresponding rate. The impression has been formed that the rise in American prices is of similar character; and it is believed speculation will be responsible for a considerable reaction, unless there is an unexpected and sharp forward movement in international trade.

A more flippant visitor to the office read the extract and said:

"When you tell me that you've bought a new suit of clothes and that your wife has bought some dining room furniture,

I'll believe that recovery is on its way. And I want that suit of clothes and that dining room furniture earned by selling more of your goods. That's recovery, not a rise in commodities or stock prices."

Congress dislikes high salaries . . .

★ CONGRESS and the Reconstruction Finance Corporation seem determined that corporations borrowing from government funds should qualify by reducing salaries of their executives. Congress enacted laws that in some cases limited corporate salaries to \$17,500.

The Reconstruction Finance Corporation, without waiting for Congress, ordered the Southern Pacific to reduce salaries by 10 to 60 per cent and through Chairman Jesse H. Jones made it a further condition, "that, in the event such a law is passed by Congress, the officers of the Southern Pacific will put whatever limitation Congress imposes into effect from June 1, 1933."

Congress itself is not entirely consistent in the way of salary fixing. The new board of directors of the Tennessee Valley Authority get \$10,000 apiece and the use of a government house and none of their employees may get any more. The Railroad coordinator salary is to be fixed by the President, unless he is a member of the Interstate Commerce Commission, in which case he draws only such pay as he may get from that job; under the National Recovery Act, the President may appoint officers and employees and fix their salaries; the Securities Act is to be administered by the Federal Trade Commission, presumably at their present salaries.

Salaries beyond \$10,000, no matter how many times over they may be earned, seem to arouse Congressional animosity.

Better brains for government . . .

★ IN the June issue we quoted from Professor Philip Cabot's article in the *May Atlantic* in which he said:

We seem to have forgotten what our fathers knew, that democracy can never be an efficient form of government. Efficiency was not its purpose. By deliberately making it inefficient, its founders aimed to promote self-confidence and efficiency in the citizen, so that he could and would do things for himself. Their objective was a weak government and strong individuals.

Professor Cabot went on to elaborate an idea in the minds of many of us that one of the great problems of this expansion of government authority will be that of getting men to govern.

Of late years business has had the strongest call for young men of education and ability. The money reward was there, the distinction was there. In the minds of many it was as fine a thing to be head of a great bank as to be head of a great college. It is not impossible that in the future Govern-

ment will make a stronger call. Certainly our colleges will need to give thought to the training of men for the administration of government departments.

Supermarkets decline . . .

★ "SUPERMARKETS," which a few short months ago threatened to become the new bogeymen of the grocery retailing field, are now reported to be steadily losing their sales volume and concurrently a good deal of their frightfulness to chains and independents alike.

There are those who now proclaim that conversion of huge warehouses and vacant factory buildings into vast emporiums advertising all manner of foods at radically low prices is largely a manifestation of the times, that the initial success of these supermarkets was due to the fact that the price basis on which they offered goods was accurately attuned to what the public, at the moment, wanted.

Improving business strikes a double blow at such enterprises, it is pointed out—fewer manufacturers and jobbers are now being forced to sell stocks to the "supers" at sacrifice prices to raise ready cash, and the buying public, its confidence reviving, is less inclined toward penny-pinching and bargain-hunting.

That the "supers" threat is lessening seems best evidenced by the fact that the principal counterthreat against them—agitation for restrictive legislation—is also on the wane. Demands for special state laws to curb the supermarkets' activities, urged for a time by manufacturers desirous of protecting their established outlets, are reported diminishing if not already vanished.

Holding no brief either for or against the supermarkets, it seems proper to point out here, as we often have in the past, that time is both a surer and quicker corrective of unsound merchandising than legislation.

The Morgan inquiry I . . .

★ THREE points stand out so far as a result of the Morgan inquiry. It develops that there has been nothing illegal as to tax returns. Both letter and spirit of the law were adhered to. In fact, any other course would have been unlawful.

In this connection, it should be noted that for seven or eight years business men have warned Congress of the dangers of the capital gains and losses provisions because they injected an artificial factor into the buying and selling of securities. They dammed up sales in good times and loosed a torrent of liquidation in bad times.

Further, they demoralized government financing, bringing unduly large revenues—and extravagance—in the fat years, and unduly shrunken revenues—and unbalanced budgets—in the lean ones.

The hue and cry raised by the penny dreadfuls of "Morgan Paid No Taxes!" brings to mind an article in this magazine a few years ago, in which a high tax official counseled just what the Morgan partners did. "The taxpayer should lawfully avoid paying every nickel," he said in effect. "He should take advantage of every loop-hole, so that Congress can identify and plug the leaks. He may be certain that the Government will use every technicality against him. He should *avoid*, but not *evade*."

The trouble lies in the public's attitude toward size. If the practice had involved ten dollars instead of a million, the public would see nothing sinister in it. But, in each case, the principle remains the same.

The Morgan inquiry II . . .

★ DISTRIBUTION of securities at cost to men of prominence is a custom and tradition of the centuries. It is done simply to spread the risk and to insure that an issue will be held by men of substance. At the same time, it creates good

will. Repeated efforts were made at the Morgan hearing—sometimes by direct question, sometimes by innuendo—to make it appear as if there were some hidden motive in addition to these obvious motives.

Such efforts failed. For example, no one had thought that Mr. Woodin would be Secretary of the Treasury; close friends of Mr. Coolidge, of whom Mr. Morrow was one, knew of the former President's resolution never to enter public life again.

The Morgan inquiry III . . .

★ A THIRD point is probably of greatest significance. It is the picture of bigness and power of a single group. Such power, beneficently used, as has been the case with Morgan and Company, helps and does not hurt the public welfare. But the bigness in amounts involved, in names concerned, in number of stockholders for whom dividends were earned, in millions of men for whom jobs and salaries and wages were at stake, naturally causes great concern lest such power, unregulated, might come into the hands of an Insull or a Kreuger.

There will doubtless be measures suggested to regulate power of such far-reaching proportions, or measures to limit its size.

Prices subject to change . . .

★ A PHILADELPHIA manufacturer with an eye on present and future legislation puts this on his letterhead:

Prices quoted are subject to any increase in cost due to any Federal or State legislation reducing working hours or increasing the minimum wage scale.

The price stated herein is based upon seller's cost under existing laws. If such cost is increased by a Federal or State tax upon sales or manufactured products or raw materials the amount of such increased cost shall be added to the price stated.

A good indication of how legislation may affect business.

Still lower prices? . . .

★ THE utilities are facing a new theory of rate making which might be called the depression theory.

In brief the argument is this: other prices are down, so the cost of gas and electric light and telephone communication must come down.

Wisconsin started with a cut in telephone rates based on the idea that the utilities must be "content with a more moderate return than is their due in times of normal or nearly normal business conditions."

Chairman Maltbie of the New York State Public Service Commission used these words:

"We shall consider to what extent utilities may fairly be required, through reduced rates, to assist in escaping from the present depression."

California's Senate calls on the State Railroad Commission to reduce public utility rates to a level comparable with other commodities. The answer of such utilities as the American Telephone & Telegraph is along these lines:

If we had been allowed to make great profits in good times perhaps we could get along with nothing now. But to be regulated to a small return on the actual money invested in the business in good times and to have to meet the vicissitudes of bad times on the same rates is bad enough.

If, on top of that, we are asked to cut rates now, there will be no margin in the business at all and, as there will be no chance under regulation to recoup these losses any other time, the results will be to put the telephone business where it cannot continue to serve the nation properly.

There is another way of looking at this depression theory of rates. The world has suffered from falling prices, for falling prices have meant falling wages and falling profits.

Sweatshop prices cause sweatshop wages. To offset that the United States Government is building up a tremendous machine to permit the increase of wages, the shortening of hours, and if need be the raising of prices. Why now set up a depression theory of utility rates with the possible result of lowered wages, and lowered profits?

We have had all sorts of theories of rate making, "just and reasonable," "fair return on fair value," "reproduction cost," "original investment."

Now we are faced with a new theory that rates in times of depression must be forced on the swiftly descending toboggan of other prices.

Building magazine advertising . . .

★ CYRUS H. K. CURTIS made the *Ladies Home Journal* out of nothing; he built the *Saturday Evening Post* on the foundation of an historic name and \$1,000; he acquired *The Country Gentleman* and raised it to new heights of circulation and impressiveness; as he grew older he bought newspapers, but he never reached the greatness in that field that was the reward of Adolph S. Ochs, who moved from the *Chattanooga Times* to the *New York Times*. Nor did Ochs with his ventures into magazine publication ever touch the success that was Cyrus Curtis'. But whoever writes the record of Mr. Curtis might record this:

"He did more to make advertising what it is than any other man of his time."

He planned periodicals whose appeal was to the great mass of humanity, he told them stories of life as they knew it and explained to them the ways of living as they must live it. He captured his readers by the million because he gave them a product out of all proportion to its price.

He turned to the manufacturer and the merchant and said: "You shall share my cost of production because I am giving to you the greatest market place the world has ever seen.

Where once a thousand people gathered to see your wares, I'll bring to you two million—three million, people."

That was what Cyrus Curtis did for advertising. He made the *Saturday Evening Post*, and the *Ladies Home Journal*, the great market places where people gathered by the million once a week or once a month to inspect goods that were offered for sale. And, withal, he made his papers entertaining, intelligent, helpful. A thousand intellectuals turned up their noses at the Curtis papers, a million worth-while citizens read them and enjoyed them.

How shall we spend it? . . .

★ THE difficulties in cutting down federal expenditures, and the ease in starting extravagant expenditures, are suggested by public reaction to proposals for expenditures in the states. Title II of the National Industrial Recovery bill encourages this editorial in the High Point, N. C., *Enterprise*:

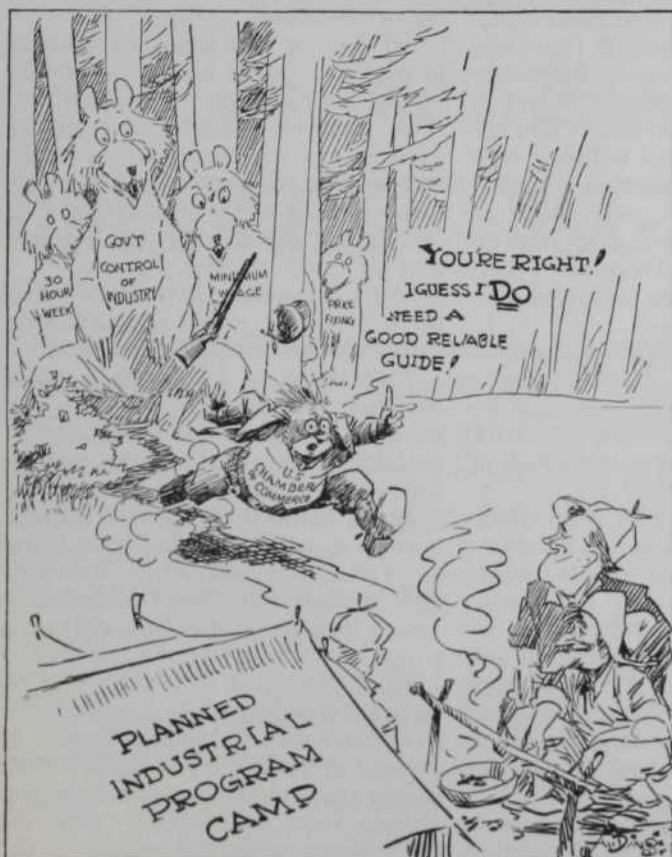
North Carolina, second largest federal taxpayer, may not maintain that relative place in the list of contributors to the proposed \$3,300,000,000 public works appropriation, but the state will be drawn upon for a considerable share. It has a legitimate interest, therefore, in the question of how it can participate in the distribution of the money. Senator Bailey estimates the state has an expectancy as great as eighty millions from the public works budget.

Assuming the Government could be induced to spend eighty millions of the \$3,300,000,000 in North Carolina, upon what should the money be spent? . . .

The field of speculation is open. The question before the state is what to do with eighty millions. . . .

When we as individuals spend money, the questions are: Do we need it? and How much would we have to pay for it? and Can we afford it?

But when we collectively, as the Federal Government, propose to spend money through the states, the questions are: How much can we get? What can we spend it for?



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We felt that the cartoon on the left which appeared in the *New York Herald-Tribune* was a misinterpretation of the Chamber's attitude toward bills designed to promote industrial recovery. We asked our own artist to make us a cartoon more in line with the facts. His work appears on the right

Muscle Shoals Opens a New Path

By WARREN BISHOP

★ THE MUSCLE SHOALS bill has finally become law; the Tennessee Valley Authority has been incorporated; the chairman of the board has been named in the person of Arthur E. Morgan, a college president with an experimental mind and an engineering background. Senator Norris has given the enterprise his blessing by saying:

"It is a monument to the victorious ending of a 12-years' struggle on behalf of the common people against the combined forces of monopoly and human greed."

Still quoting the Senator, "it establishes a new governmental policy."

Rightly to understand that policy it is necessary to read President Roosevelt's own theory of power control and it is best for that purpose to use his own words. In his book, "Looking Forward," which is a revision of his campaign proposals, the President has this to say of Muscle Shoals and the comparable power projects, building or planned to be built under federal auspices:

We have undertaken the development of the Boulder Dam on the Colorado River. The power will be sold by the United States Government at a cost that will return the government investment with four per cent interest in 50 years. States and municipalities were given a prior right to contract the power so generated. Long before that we undertook the development at Muscle Shoals. We spent millions on this project. There are two other great developments to be undertaken by the Federal Government. One is the Columbia River in the Northwest. This vast water power can be of incalculable value to this whole section of the country. One is the St. Lawrence River in the Northeast. Together with Muscle Shoals in the Southeast and Boulder Dam in the Southwest, we shall forever have a national yardstick to prevent extortion against the public and to encourage the wider use of that servant of the people—electricity.

As an important part of this policy, the natural hydroelectric power resources belonging to the people should remain forever in their possession. This policy is as radical as American liberty, as radical as the Constitution of the United States. Never shall the Federal Government part with its sovereignty and control over its power resources while I am President of the United States.

Conceive then the United States as a

HAILED as "the victorious ending of twelve years' struggle against monopoly and greed," as a yardstick and as a birch-rod for industry, the Muscle Shoals bill has become a law. The policies it sets up, many of them unique, may well affect business in every section

quadrilateral. In the upper right hand—the northeast—corner is the St. Lawrence project in the treaty and blueprint stage. In the northwest corner is the Columbia Basin—the greatest of all in the amount of power that might be produced—but not yet beyond the survey stage. In the lower left hand corner of the quadrangle is Boulder Dam, now under construction; and in the southeast corner is the Tennessee Valley.

Power is the common unit in all four. In the northeast, power is linked with navigation; in the northwest, power would be linked with reclamation; in the southwest, power is tied in with water supply. In the Tennessee Valley, power and fertilizer are put together.

Operating nitrate plants

THESE power developments must inevitably affect the economic life of the United States and the private lives of millions of its citizens.

In the Tennessee Valley is the group of nitrate factories and power plants known collectively as Muscle Shoals which the new corporation is to maintain and operate "in the interest of national defense and for agricultural and industrial development and to improve navigation in the Tennessee River and to control destructive flood waters in the Tennessee River and Mississippi River Basins."

How does the Act propose to accomplish these purposes? First, by setting up a corporation, "The Tennessee Valley Authority," with a board of three directors to be named by the President and confirmed by the Senate. The full

term is nine years and the pay is to be \$10,000 a year each, plus the use of one of the houses owned by the Government at Muscle Shoals. The Board appoints all other employees "without regard to the Civil Service laws," but no regular employee can receive more than a member of the board.

No director can have any financial interest in a public utility corporation, nor in a corporation making fertilizer. "Nor shall any member have any interest in any business that may be adversely affected by the success of the corporation."

There is another unusual qualification for directors. Says the Act:

"All the members of the Board shall be persons who profess a belief in the feasibility and wisdom of this Act."

That, so far as I know, is a unique condition for appointments. If it were carried into other branches of the Government, Thomas Woodlock, once an Interstate Commerce Commissioner, suggests, it might prevent the appointment of a member of that body unless he "professed a belief in the feasibility and wisdom" of the Transportation Act of 1920 which was designed to end government control of the railroads.

Having declared their faith and divested themselves of any questionable stock holdings and taken possession of the vast properties in and about Muscle Shoals upon which the Government has already spent \$130,000,000, what are the directors of the Corporation to do? What are its powers?

The Corporation's powers go far beyond those things that it is definitely directed to do. The Corporation may do



Illustrated above is the Chevrolet Sedan Delivery, \$545. Chevrolet trucks are priced as low as \$440. Chevrolet passenger cars are priced as low as \$445. All prices f. o. b. Flint, Michigan. Special equipment extra. Low delivered prices and easy G.M.A.C. terms.

Sir Walter Raleigh rides in style in CHEVROLET SIX-CYLINDER TRUCKS

Take out a Raleigh cigarette, or cram your favorite pipe with fragrant Sir Walter Raleigh tobacco. Light up, sit back, and absorb this valuable piece of information: Brown & Williamson, the company that created those two popular favorites, finds Chevrolet trucks the most economical in the entire field. Economical from the standpoint of first-cost. Most economical in the matter of up-keep. And far, far easier on gas and oil than any other truck on the market. What's more, their expe-

rience checks exactly with that of hundreds more of America's biggest fleet owners! All agree—it's Chevrolet for lowest cost. You can't ignore the straightforward, unbiased cost reports kept by these leading companies. You don't want to ignore them

when they point the way to savings. And that's exactly what these records do—they prove beyond a doubt that any commodity you can name travels cheaper in Chevrolet trucks.

CHEVROLET MOTOR CO., DETROIT, MICH.



CHEVROLET PASSENGER CARS AND TRUCKS

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many things; it must do comparatively few.

Take first the question of fertilizer. The Corporation may go into the fertilizer business on a very considerable scale. Take this one clause of the bill:

The Board . . . is authorized to manufacture and sell fixed nitrogen, fertilizer and fertilizer ingredients at Muscle Shoals by the employment of existing facilities, by modernizing existing plants, or by any other process or processes that in its judgment shall appear wise and profitable for the fixation of atmospheric nitrogen or the cheapening of the production of fertilizer.

That would seem definitely to give the Government every opportunity to go into the fertilizer business, but that industry, although it opposed the Act as an unwarranted and unneeded invasion of business by Government, professes no grave concerns for the future. Other clauses give the Authority power to carry on experiments in soil enrichment and the fertilizer industry believes that the Corporation will content itself with that task. The Corporation is authorized to contract with commercial producers of fertilizer for such material as may be needed for experiment and to arrange with farmers for tests of new fertilizer. It may sell or "make donations" of fertilizer through county agents or agricultural colleges.

May help industry

IF the "Authority" will confine itself to experimental work the fertilizer makers believe that in the long run it may prove a blessing rather than a detriment to their business. As a producer of nitrogen, the war-time plant at Muscle Shoals is practically outdated as it stands. To bring it into competition with newer and cheaper methods, considerable changes at large expense would be necessary.

It is the general belief in Washington that the major effect of the bill on our economic system will result from its relation to power rather than its relation to agriculture and that the fertilizer clauses were designed largely to make the bill acceptable to the farmer.

That belief was strengthened by the Norris statement. President Roosevelt in his "Looking Forward," which is the Magna Charta of the New Deal discusses Muscle Shoals, not in the chapter devoted to farm relief, but in the chapter on "The Power Issue" from which I have quoted.

What the Act hopes to accomplish in the way of power production is best described in its

own language. This is part of Section 11 of the Act:

It is hereby declared to be the policy of the Government so far as practical to distribute and sell the surplus power generated at Muscle Shoals equitably among the states, counties, and municipalities within transmission distance. This policy is further declared to be that the project herein provided for shall be considered primarily as for the benefit of the people of the section as a whole and particularly the domestic and rural consumers to whom the power can economically be made available, and accordingly that sale to and use by industry shall be a secondary purpose, to be utilized principally to secure a sufficiently high load factor and revenue returns which will permit domestic and rural use at the lowest possible rates and in such manner as to encourage increased domestic and rural use of electricity.

To carry out this aim of extending the use of electricity in homes and farms, the Board, while authorized to sell its surplus power to "states, counties, municipalities, corporations, part-

nerships or individuals" must give preference to the first three classifications and to "cooperative organizations of citizens or farmers not organized or doing business for profit, but primarily for the purpose of supplying electricity to its own citizens or members."

Unfair competition

STRESSING the desire that the Corporation shall give preference to domestic and rural customers and insisting that "use by industry shall be a secondary purpose," may have been intended as a sop to the existing utility companies in the Southeast who, unlike the fertilizer makers, see the Tennessee Valley Authority, chartered by the Government with directors named by the President, with capital raised "on the credit of the United States," with interest not to exceed 3.5 per cent, as a powerful potential competitor. An indication in the bill itself of that potentiality



"Within transmission distance," is a phrase used in the Tennessee Valley Authority Act. The distance is perhaps 300 miles. The circles with Muscle Shoals as a center are 50 miles apart. The heavy dotted line encloses the total Tennessee River drainage. When you consider that other projects are planned in the far corners of this territory, it is easy to see how great an area of the United States may be affected.

NEW

THE MOTOR RETURNS THE CARRIAGE

A mere touch of the "return" key causes the motor to return the carriage to the starting position, or to an intermediate point. Spacing to the next writing line is automatic.

THE MOTOR SHIFTS TO CAPITALS

A light depression of the "shift" key (normally used to shift the platen manually) causes the motor to shift the platen instantly and firmly to the upper position.



The keyboard is standard. . . . There is no new touch to learn

Here is a new electrically-controlled Burroughs typewriter that marks a distinct advance in faster and easier typing. With this machine the motor does all the heavy work. The speedy hands of the skilled typist need never leave the keyboard.

Already hundreds of users have discovered that this new development results in greatly increased production and a far better grade of work.

Like all Burroughs machines, this new product is guaranteed by Burroughs, and backed by the same Burroughs service organization that for years has serviced electrically-operated Burroughs machines in offices throughout the world.

Burroughs Electric Carriage Typewriter—as well as other Burroughs Typewriters—is on display at local Burroughs offices. Telephone today for a demonstration in your own office—or write for descriptive folder. Burroughs Adding Machine Company, 6227 Second Blvd., Detroit, Michigan.

BURROUGHS *Electric Carriage* TYPEWRITER

When phoning your local BURROUGHS dealer please mention Nation's Business

is the authorization given by the "Tennessee Valley Authority Act" to the Secretary of War or the Secretary of the Interior to build the Cove Creek Dam together with a transmission line from that dam to Muscle Shoals, a distance of about 225 miles as the crow flies. This reservoir, including power house to produce 220,000 horsepower and the transmission line, will cost around \$40,000,000; in fact, about all of the \$50,000,000 allotted by the Act as the primary appropriation.

This Cove Creek Dam and power house—and they seem certain to be built—will add greatly to the initial territory in which the Tennessee Authority can sell its product. A study of the map on page 30 will show how widespread will be the possible diffusion of power. The district outlined by the heavy dotted line is roughly the territory over which the Tennessee Valley Authority will rule. The act gives that Corporation "power to construct dams, reservoirs, power houses and other structures and navigation properties in the Tennessee River and its tributaries."

The Act declares the policy of the Government to be to sell "the surplus power generated at Muscle Shoals . . . within transmission distance."

"Transmission distance" is not a certain figure, but in general, economical transmission is limited to 250 or at most 300 miles. Look again at the map and follow the 300 mile circle whose center is Muscle Shoals proper. It takes in most of Mississippi and Alabama, a good part of Georgia, a little of the Carolinas and Virginia, most of Kentucky and chunks of Indiana, Illinois and Missouri—a sizable part of the United States. In that circle are such cities as Atlanta, Jackson, Montgomery, Memphis, Nashville and Louisville.

Expanding the Authority

IF THE Cove Creek plant be built and we draw the 300 mile circle with that as a center, we get a new spread of the Tennessee Valley influence, reaching up into Ohio to well past Cincinnati and perhaps to Columbus. If, in the same way, an already projected plant were built on the Tennessee River up nearer where it joins the Ohio, transmission distance would include St. Louis.

The Tennessee Valley Authority then has plenty of authority to compete with privately owned utilities over a vast territory. What existing companies now operate in the territories most directly affected by the new Act and what is the public investment interest in those companies? The best answers to those questions are found in a report by Lieut. Col. Tyler of the Corps of Engineers of the United States Army. This report was made to the Muscle Shoals Commission sponsored by President Hoover. In it, he gives these figures of "Public

Investment in Southern Power Companies."

	Bonds	Cumulative preferred stock
Southeastern Power and Light Co.	\$41,491,000	
Alabama Power Company	88,929,000	\$31,664,806.75
Georgia Power Company	98,919,100	36,995,985.35
Tennessee Electric Power Company	39,127,300	22,443,400.00
Mississippi Power Company	7,959,000	3,663,173.33
	\$276,425,400	\$94,767,365.43

That these securities are widely held is made clear by these extracts from a statement by the power companies operating in the Tennessee Valley area:

The fact that a publicly-owned corporation is vested with unrestricted and unregulated authority to generate, transmit and sell power in a field adequately occupied by private capital is sufficient to alarm the more than 115,000 separate security holders of private companies rendering service in the same territory.

Residing within the four states are 44,000 citizens who own 675,000 shares of the preferred stocks of these eight companies, an average of about 15 shares each, in which they have an investment of more than \$60,000,000.

The market value of these stocks is about one-half the original cost. It has continually declined since the President first announced support of the Norris plan. In 1932 these local citizens collected more than \$4,000,000 in dividends from their preferred stock holdings in these companies.

Residing outside the four states are 26,000 other preferred stockholders. In addition, there are 44,000 separate bondholders. Many of the bonds are in the portfolios of insurance companies, of colleges and universities, of savings banks, of trust companies and similar investment groups. Thousands are in the lock boxes of individuals. The quoted market value of these bonds has also decreased until it is much below par.

The Tyler report also answers another question commonly asked:

"But doesn't this territory need the added power facilities?"

Colonel Tyler's answer in 1930, and the situation has not materially changed since then, was brief and pointed:

"The construction of such an independent system (as that at Muscle Shoals and Cove Creek) would duplicate transmission facilities now ample to serve the region."

On the same point President Henry I. Harriman of the United States Chamber wrote to members of that body in April of this year:

The duplication of public service facilities is uneconomical and must ultimately result in added cost to consumers. The private properties now serving the public in the region of Muscle Shoals were built and are now being operated under public regulation. These would be destroyed by government competition.

Whether the government activity that finally obtains from this legislation results in fact-finding, that is, the "yardstick" idea; whether it results in com-

petition for the purpose of regulation, that is, the "birch-rod" idea; or whether it results in cut-throat competition and the destruction of "private capital being lawfully and beneficially employed," again quoting President Harriman, depends on the Tennessee Valley Authority.

Although the bill gives municipalities and states a prior right to contract for the power generated, the President in his book has said that "private capital should be given the first opportunity to transmit and distribute government-generated power." This would mean, if this suggestion is followed, that, when this power is sold to local governments, an effort should be made to contract with private companies for its transmission before competing lines are built.

The President also referred to the sale of Boulder Dam power at "a cost that will return the Government investment with four per cent interest in 50 years."

These suggestions are highly important when considering "yardsticks," "birch-rods" and competition.

Rights to all patents

ANOTHER clause in the bill permits the Corporation "as an instrumentality of the United States" to help itself to any material in the Patent Office having to do with the production of any ingredient of fertilizer or the production of hydroelectric power.

I showed this clause to a leading American industrialist. He said:

"Summarizing, the sole objection which can be made to this section is that it gives the Tennessee Valley Authority the position which the Government itself has as regards its right to use patents. But this is the philosophy of the whole Act. All the way through, it is an effort to conduct a business enterprise through a corporation which has the rights and privileges of the Federal Government itself. If this philosophy is wrong, the bill is wrong—if it is right, there is nothing wrong with this section."

And there you have it! Right or wrong we have put the Government into the production and sale of power in a large territory.

The Tennessee Valley Authority is required to submit annual reports which shall include "an itemized statement of the cost of power at each station." These reports are to be audited by the Comptroller General. The price the consumer pays the Government will be compared with the price he pays private companies. Is it too much to hope that costs will be set up in such detail that they too can be compared? These cost reports will be compared with the costs of private companies.

The President has described the venture as a "yardstick." But many a man now grown can recall being hit over the knuckles by a ruler in the hands of a sturdy teacher.

What would Aldus in the 15th Century have thought of this new paper?

ALDUS of Venice in 1495 was printing his first classic, "Aristotle," with type cut to his design, with ink made on the premises and with paper—"hand work, made of pure linen and hempen rags beaten in pieces by dint of wood and made stiff with glue gotten from boiled hides."

That paper has perpetuated his work, but think of the difficulties it presented to Aldus. No two sheets were alike in formation. The surfaces differed. The color varied. The laid and chain marks were in evidence. The ink absorption was uncertain. Small wonder he exclaimed, "I have chosen, in place of a life of ease and freedom, an anxious and toilsome career."

How Aldus would have welcomed the new Kleerfect—The Perfect Printing Paper—a paper perfected more than four hundred years later and destined, probably, like his own work, to affect the art of printing from this day on.

In Kleerfect there have been combined, in perfect relationship, the qualities of paper that printers, from Aldus on, have sought. Strength, color, opacity, smooth even surface without glare, and ink absorption—not one is achieved at the expense of the other in Kleerfect.

In Kleerfect there is no "two-sidedness." For the first time in book paper making, both sides of a sheet are the same, insuring equally fine reproduction on either side. Kleerfect was perfected through adherence to the principle of Aldus himself—"I will never desist from my undertaking until I have performed

what I have promised, always unmindful of expense, however great, and equally regardless of labor."

We present Kleerfect to the publishers, printers and advertisers of America—for magazines, catalogs and other printing at costs no higher than you are used to paying for just printable paper.



Kleerfect
TRADE MARK
THE PERFECT PRINTING PAPER

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● To appreciate fully the effect that Kleerfect has on the art of printing ask for "The Printability of Certain Papers—and Why". This book presents the five essential qualities of Kleerfect, whether used for one or multiple color printing or rotogravure. It will be sent free upon your request. Address the Advertising Department, Kimberly-Clark Corporation, 8 South Michigan Ave., Chicago.

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THIS AIR-RAID

*leaves a trail of Red
across your ledger*

... erase it with Air Conditioning

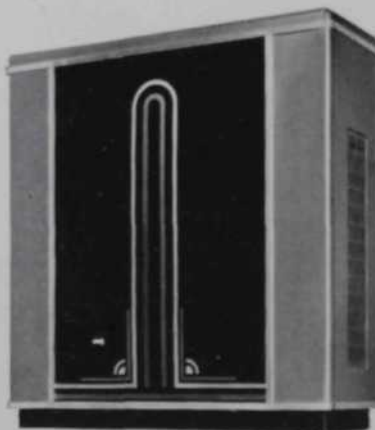
Heat, humidity, dead air and dust... wherever these foes of profitable business launch their attack, LOSS rides with them. Lost sales, wasted effort, diminished efficiency of personnel mark their trail. Red ink is their signal of victory.

But business, today, is no longer at their mercy. Westinghouse Unit Air Conditioners provide the means to keep these air raiders of profit *outside* the walls of your store, office, restaurant, barber shop, or beauty parlor—to halt their inroads permanently.

In smart, compact cabinets Westinghouse engineering has combined cooling and de-humidifying for summer... heating and humidifying for winter... circulation and air filtering the year 'round—a complete job of modern air conditioning.

In single or multiple installations, with air-cooled or water-cooled refrigerating units, Westinghouse Air Conditioners soon pay for themselves... attracting and holding customers... raising efficiency standards. And doing it all without expensive building alterations.

Mail the coupon for new book "Air Conditioning for Health, Comfort and Profit".



Models for floor mounting are finished in walnut tones or modernistic Mica design; suspended types can match interior decorative designs.

Westinghouse



Unit Air Conditioner

Westinghouse Electric & Manufacturing Co.,
East Pittsburgh, Pa.
Please mail your book "Air Conditioning for
Health, Comfort and Profit" to

Name.....

Business.....

Address..... (N.B.2)

The Trade Associations Are Ready

By RAYMOND WILLOUGHBY

★ THE practical interpretation of the national industrial recovery bill is effecting a profound change in the American economic philosophy.

The obvious intent of the proposal to give business a larger measure of freedom for its cooperative powers is more than a political acknowledgment of the need for relaxing the antitrust laws. It is a significant recognition of the maturity of the trade association as a device for industrial government, administration, and agreement.

The President's vision of a more effective integration of similar interests in the national economy is not a mere gesture of good will to business. The trade associations, the implements for this fresh assault upon the depression, have been in the making for years. They have been fashioned in the fires of experience. They provide a representative identity for domestic business interests committed to a specific industry, activity, or trade.

There are literally thousands of these organizations. Hundreds of national magnitude as well as smaller groups are affiliated with the Chamber of Commerce of the United States. They exemplify the meaning of cooperation in individual lines of industry.

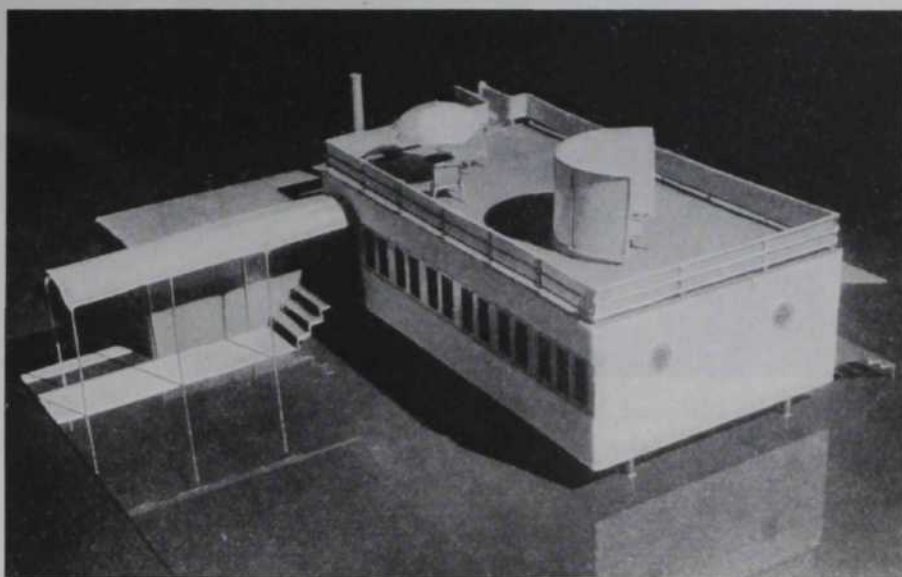
In a resolution submitted to Mr. Roosevelt, they declared their faith that "cooperation by industry to meet the emergency and serve the public interest can best be established and administered by the industries themselves through self-controlling standards of employment and fair conduct."

"All very well," says the cynic, "but what credentials do these trade associations offer for public confidence?"

The trade association in agreeing to enter a partnership with Government comes to the bar of public opinion with a record of achievement. To illustrate:

Every year the American Trade Association Executives offer an award for the most meritorious work in the trade association field. This year the Cotton Textile Institute, under the presidency of George A. Sloan, was adjudged the winner. Speaking for the jury of award, the Secretary of Commerce, Daniel C. Roper, said it was given

for its great accomplishments among one of the important basic industries of the



The cotton house was developed by the Cotton Textile Institute, Inc., in its researches seeking new uses for cotton

★ THE success of the Industrial Recovery Act will depend largely on the country's Trade organizations. Can they qualify for the task? Let us look at their records

United States, for its persistent and constructive methods in the elimination of undesirable working conditions for its thousands of employees; for its introduction of modern cost accounting in cotton mills; for its promotion and development of new uses of cotton and cotton products and for the example it sets to American business of a trade association which is helpful to industry and public alike.

Coordinating industry

THAT is the essence of the promise and the performance of associations. Their service in articulating the units of an industry into a responsible whole refutes the querulous cry that business is leaderless.

What the Outdoor Advertisers' Association of America is doing in cooperation with legislators to bring individual practitioners into line with an enlightened public opinion on billboards, and the

cooperation of the organized "small loan" money lenders with state authorities in developing uniform standards for their business are recent important items of commercial history.

A survey by the Trade Association Department of the National Chamber discloses the variety and scope of trade association activities—finance, accounting, production, research, grading, inspection, certification, market surveys, protection of quality, credit, claims, and collections, standardization and simplification, employee relations, "truth in advertising."

The preparation of financial statements and comparative ratios enables concerns in the same industry to "know what is par on the business course on which they are competing." The United Typothetae of America, the Writing Paper Manufacturers Association and the Robert Morris Associates have fi-



The National Association Institute of Dyeing & Cleaning has trained more than 800 men and women for the industry. Graduates are qualified in every department of plant operation

STEWART BROS.

financial stethoscopes which are useful in diagnosing business ills.

Excessive plant capacity, with resultant overproduction or hazard of overproduction, is one of management's most serious problems. It is recognized that information on total capacity of the industry, percentage of operation in terms of capacity and net profits on capital investment constitutes an important basis for sound industrial development. Such information can help to retard the tendency to overbuild, or overequip, and prevent unwarranted investment. The American Face Brick Association, for example, has shown the relation of the industry's capacity to its shipments, the increase in annual capacity, the failures and losses, and the number of plants dismantled.

Accounting is one of the ten activities most frequently practiced by trade associations. Hundreds of associations are engaged in the development of a uniform classification of accounts, and in providing cost studies, including depreciation and obsolescence appraisals. The Envelope Manufacturers Association of America, the American Paper & Pulp Association, the American Transit Association, the International Association of Ice Cream Manufacturers and the International Association of Milk Dealers are among the associations which have advanced accounting.

Trade associations have also been active in improving the soundness, accuracy, and uniformity of methods employed in preparing bids and cost estimates so that the resulting differences in estimates by individual firms shall rep-

resent differences in cost rather than in estimating procedure. The Heating and Piping Contractors National Association and several other associations in the building industry have pushed forward in this direction.

Studying efficient plans

WHAT constitutes the most efficient layout of a manufacturing plant, a wholesaler's warehouse, or a retail store, has also received the attention of trade associations. The United Typothetae of America, through its Engineering Department, provides architectural and engineering service to its members, even indicating the size and type of machine necessary to get desired results.

In the distribution field, such organizations as the National Association of Retail Druggists and the National Association of Retail Grocers have pioneered in store arrangement and modernization.

Business men have seen that employment can be stabilized at least in some degree. They recognize the need for adequate reserves for unemployment and other benefits for their employees. It is significant that recently several associations have appointed committees for this purpose and that a plan for unemployment benefits has been formally approved and recommended by the National Electrical Manufacturers Association.

Inspecting or laboratory testing facilities are maintained by the American Institute of Baking, the National Association of Dyers and Cleaners, and the

Better Fabrics Testing Bureau, and several other associations.

Some groups certify as to the suitability of particular items by the use of a seal of approval.

The value of doing business in terms of known quality, as well as quantity, has induced the establishment of grading rules or specifications on the basis of which products may be bought and sold.

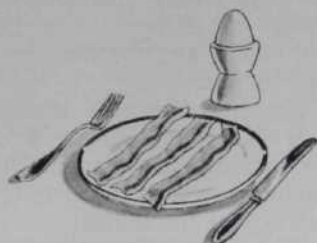
Many trade associations have formulated definite standards. The National Lumber Manufacturers Association and the National Cottonseed Products Association are among the leaders in such efforts. Sixty-eight associations have adopted rules applying to products of the industry and 43 have adopted rules applying to purchases by member companies.

Quality labels have been adopted to identify goods of certain standards. The Institute of Carpet Manufacturers of America, Mirror Manufacturers Association, Rail Steel Bar Association, Tanners' Council of America, and American Petroleum Institute are a few of the associations which are promoting the use of quality labels.

As a means of checking and enforcing rules and specifications, some associations maintain inspection services. In some instances the association's inspectors are called in only to settle disputes. In other lines inspectors visit members of the industry to see that the rules are correctly and uniformly interpreted. The Tire and Rim Association maintains inspectors in individual factories. Other associations provide inspection

YOU *HELP* US TO MAINTAIN OUR

Triple Guard of FLAVOR



● "Distinctive flavor is the outstanding mark of Beech-Nut products—and we are scrupulously careful to guard it.

"The first requirement is *utmost cleanliness*. That's why constant vigilance surrounds every step of our manufacturing—from the preparation of raw materials straight through to the final packaging.

"Take Beech-Nut Sliced Bacon, for instance. In our slicing machines, every part that holds or touches the cured bacon is Monel Metal. Our bacon jar-washing machinery is of the same rust-proof, corrosion-proof metal.

"The fine flavor of Beech-Nut Bacon has had this protection for more than ten years.

"Monel Metal plays the same essential part in the manufacture of Beech-Nut Chili Sauce, Beech-Nut Catsup, Beech-Nut Tomato Juice, Beech-Nut Biscuits, Beech-Nut Beans and our many other products. Best grade of raw materials, exceptional care in each manufacturing process and



Mr. Bartlett Arkell, President of Beech-Nut Packing Co., discloses how they protect the famous flavor of Beech-Nut products

cleanliness of machinery combine to produce Beech-Nut Quality Foods."

• • •

That explains why users of Beech-Nut products always find their favorite dish so unvaryingly delicious.

Monel Metal, in other industries, is used because of other qualities—because it cuts costs or speeds production. It is used in homes because of its

spotless beauty. Its silvery sheen, cleanliness, great strength, toughness, corrosion-resistance and immunity to rust are ideal qualities for kitchen sinks and cabinet tops, table and range tops, hot water tanks and washing machines.

You find Monel Metal used in industry for food handling equipment of every kind, in hotels, restaurants and hospitals;

in canneries and packing plants; for machinery of all sorts in laundries, chemical and power plants—in fact, most industries appreciate that no other metal has its unique combination of qualities.

The chances are that there are valuable but undiscovered uses for it in your own business. Drop us a line and let us tell you how others in your particular field have taken advantage of Monel Metal.

THE INTERNATIONAL NICKEL COMPANY, INC., 67 WALL STREET, NEW YORK, N. Y.

MONEL METAL



Monel Metal is a registered trade-mark applied to an alloy containing approximately two-thirds Nickel and one-third copper. Monel Metal is mined, smelted, refined, rolled and marketed solely by International Nickel.

service in the principal markets and ports of entry.

In addition, some associations have been active in improving purchasing procedure. Uniform contracts have been developed to assure the maintenance of standard conditions of purchase. Organizations of buyers, in cooperation with organizations of sellers, have assisted in the development of uniform contracts of sale or purchase; for instance, the National Coal Association and the National Association of Purchasing Agents have formulated standard contract forms.

How materials and equipment may best be utilized or operated is the basis for investigations by many associations.

on special research work to discover new products, new qualities, or new uses.

The Cotton-Textile Institute and the Malleable Iron Research Institute have made notable progress in this field.

The cross-licensing or pooling of patents is an inviting field for cooperative effort. The National Automobile Chamber of Commerce received the American Trade Association Executives' award in 1930 for its report on national cross-licensing of patent agreements which opens the way for each manufacturer in the association to use improvements originated by any member company.

Trade associations give specific as-

such as "Say it with Flowers" and "Save the Surface and You Save All," frequently are directed to the consumer or general public. Seventy-two associations, however, direct their advertising to the trade. Recognizing the important influence exerted by those who recommend, but ordinarily do not make the purchases, some associations have focussed their advertising on such groups as architects, engineers, contractors, and mill superintendents. This method has been widely used by associations representing building material producers.

Unprofitable customers, items, territories, and merchandising practices have been disclosed through market research and distribution surveys.

Frequently such studies aim primarily to determine the direction and intensity of changing consumer desires and habits, and the changing trends of style or demand.

Consumer research studies likewise may disclose the weaknesses, as well as the commendable characteristics, of the products, services, procedure, and sales methods of the industry or trade. The New England Gas Association interviewed thousands of housewives in regard to the use of gas, gas equipment, and gas service, to enable the companies to improve their service.

Traffic assistance offered

THE National Coal Association, National League of Commission Merchants of the United States, and Rubber Manufacturers Association are among those reporting systematic service activities dealing with traffic. Many of them operate traffic bureaus to assist members in routing and tracing their shipments, in handling claims against transportation agencies, and in dealing with rates and classifications. A few industries, through their associations, have undertaken joint shipping programs, such as arranging for pooled cars, or, in the retail field, cooperative delivery systems.

Cooperative studies and experimental work with regard to packing and shipping methods and procedure constitute a helpful service of the National Association of Wooden Box Manufacturers.

Closely related is packaging, now recognized by many industries and trades as increasingly important from a merchandising standpoint. In the exporting industries, packaging has been long recognized as a valuable field for organization assistance.

The National Association of Credit Men and the National Retail Credit Association have developed service activities ranging from cooperation with commercial credit agencies to the direct operation of systematic reporting and

(Continued on page 50)



This division of the American Paint & Varnish Manufacturers laboratories tests plaster to determine proper coatings

The services of a technical expert or specialist are made available to members by the American Bankers Association, National Crushed Stone Association, Inc., Laundryowners National Association of the United States and Canada, and many others. The Portland Cement Association and the Wirebound Box Manufacturers Association make such services available to members' customers, or users of the products of the industry.

Searching for by-products

BY-PRODUCTS and waste utilization also receive careful attention. Twenty-eight per cent of the associations carry

assistance to management of the individual concern in devising methods and standards for more intelligent and efficient planning and control of stocks. In one industry a standard for normal stocks was established. Considering this as 100 per cent, stocks on hand were found to average 240 per cent. Stimulated and guided by statistics and a practical plan of inventory control, members of the industry cut their stocks from 240 per cent to 121 per cent. The Silk Association of America, the National Retail Hardware Association, and the National Retail Dry Goods Association have devised effective methods in this field.

Cooperative advertising campaigns,

What the Securities Act May Do

I. Some of the Possibilities



"I THINK," said a veteran banker, "that what may prove to be the most important measure of the special session of Congress was passed with the least public attention."

"More than that," he went on, "I think it was largely overlooked in the press of other matters by the very men whom it may most affect."

The banker had in mind the act for the registration of securities offered for sale in interstate commerce—and that means practically all securities. The men most affected, in his opinion, would be not the investors of the country, not even the investment bankers, but the manufacturers and merchants who from time to time need to raise new capital for the beginning of new enterprises or the extension of existing ones.

If a manufacturing company wanted, we'll say, to build a plant on the Pacific Coast and needed \$5,000,000 for that purpose, it got that money in ordinary times from the savings of the American people. It might propose an issue of bonds secured by a mortgage on the company's property, or it might issue additional stock. Whatever plan was devised, the manufacturer would go to an investment banking house.

If the plan seemed feasible, the investment banker would agree to buy the proposed issue and in turn sell it to the public. Commonly, however, the issuing house would invite other bankers to join with it, each taking an agreed part to sell to its customers. The other bankers would act largely on their confidence in the good faith and good judgment of the banking house which had the first dealings with the corporation that needed the money.

The Securities Act certainly was not intended to interfere with the free flow of money from the pockets of lenders to the bank accounts of borrowers who wish to expand business. The bill's purpose was to protect the buyer; to give him the fullest possible information about the security he accepted in return for his money; to penalize those who undertook to deceive him by making false statements or concealing the truth.

But the lawyers and bankers who have

studied the bill are beginning to raise such questions as these:

Will the rigid restrictions and penalties make borrowers hesitate to issue and register securities?

Will participating houses be reluctant to share in an issue since they may find themselves bound by statements made by others and which they have not had an opportunity to investigate?

If these conditions exist and if borrowers and investment houses are reluctant to make new issues, what then will result?

How will the bill affect the make-up of boards of directors?



THE business man rather than the investor or the investment banker will feel the full effect of the new law regulating the issuance of securities. This is the view of careful students of the measure. The reasons are here

These questions are being asked rather than answered. Such answers as are being given are tentative but the discussion runs along these lines:

It is possible that the borrowers will be much more hesitant about issuing new securities. The penalties are severe. Take the civil liability clause of the measure. Before securities can be sold they must be registered with the Federal Trade Commission and that registration must include all the information set forth in schedule A. Now schedule A, of which you will hear much in the next few years, includes 32 sections describing the information and documents which must go into the record if the issue is to be registered.

The civil liability clause provides that if "any part of the registration statement contained an untrue statement of a material fact or omitted to state a ma-

terial fact required to be stated therein or necessary to make the statements therein not misleading" the buyer of the security may sue to recover any losses, every person who signed the registration statement, every director or person named as about to be a director of the issuing company, "every accountant, engineer or appraiser" who has had a hand in preparing the registration statement, or every underwriter.

Further the person who sells a registered security by means of a prospectus, "or oral communication," may be sued civilly for losses if the prospectus or the oral statement includes untrue assertions or omits material facts. In addition to the possibility of civil action, fines and imprisonment are provided for willful violation of the act or the rules made

by the Federal Trade Commission to put it into effect.

These civil and penal liabilities make lawyers and bankers who have been studying the bill feel that the answer to the first of the questions may be "yes." Manufacturers wishing to borrow to build new, or extend existing, plants; chain stores proposing to open new outlets, will be cautious—and that's a mild word—in making their plans. Liability of directors, of accountants, of engineers, of appraisers all must be carefully considered. That the bill may operate to prevent companies with legitimate needs for new capital from seeking it, is the opinion of some lawyers and bankers.

If that should happen, and there is by no means general agreement that it will, then the second question answers itself. Investment bankers are bound to be slow in undertaking to handle new se-

curity issues, or in sharing in new issues put out by other houses. The danger of error for which one might be responsible is very great.

The question as to what course the raising of industrial capital may take in the future is being widely discussed. Here is what the commercial bankers and their legal advisers see as a possibility:

The borrowing manufacturer or merchant will be reluctant to issue new securities for sale to the general public, because of the penalties of error—even an innocent error. The investment banker for like reasons will hesitate to carry on his business on the old lines; the borrower then will turn to the commercial bank for money. Such a loan, for capital investment, is not, the bankers say, a wise loan. They feel that their banks may be called upon to tie up their funds in long-term loans with a resultant danger that they may find themselves in a future emergency with frozen assets that would be hard to liquidate.

Growth limited to earnings

ANOTHER possibility discussed by those who are thinking of the bill in terms of its effects on business is that industry, finding its old ways of raising money closed and finding also that the commercial banks are reluctant to make loans for capital investment, may be forced still further to depend upon its own earnings for future expansion and be obliged to build up larger surpluses at the cost of dividends and wages. Such a policy of corporate financing is always open to criticism.

What will be the effect upon the management of corporations? Certainly no thoughtful man would entertain a suggestion that he become a director of a corporation without grave concern as to the responsibility he might assume. A special committee of the United States Chamber of Commerce in a recent report made this answer to the question:

In order that an issue of securities might enter interstate commerce, directors of the corporation would have to assume personal liabilities and take personal hazards which would tend to prevent prudent men from remaining as directors.

Many will argue that directors *should* be charged with greater responsibilities, that we have had too many casual directors—directors who were chosen because their names were potent with the public or because they represented large stockholding interests and were entitled to know what was going on. But what of the director who is asked to serve because he has some special knowledge or experience of value to the company, but whom the company could not engage as a full time member of its management staff? He will hesitate to continue his membership on any corporate board.

Men who profess to be familiar with

the purposes of those who drafted the bill say that they gave this matter careful consideration and that they saw no reason why directors' responsibility should not be increased. In fact, some of them were represented as believing that it might be better for business if corporations had small boards of salaried directors who should devote much or all of their time to the company.

Such an idea is not foreign to business men. Some time ago a partner of a large firm of investment bankers said to me:

"I'm a director in 30 or 40 corporations. It is obvious that I cannot be intimately acquainted with the affairs of each of them, but since my house has financial relations with them we feel that it is necessary that we should be represented. I sometimes think I could do a much better job if I were on the board of about four corporations, each of which paid me an adequate salary."

Another point which is being raised is that the new law may tend to break up the larger business units since a smaller firm, needing less money, might deal with a single lender who would be able to finance its wants without setting up a widespread syndicate. The smaller unit might also, it was argued, be able to collect and present the information required for registration much more quickly than the larger corporation composed of plants and agencies all over the world.

These are only a few of the questions that are being asked as the bill is studied. Every day brings new ones. One of these takes this form:

Will the bill protect the person who buys securities?

After all, it was he whom Congress had in mind. It will give him adequate and elaborate information as to his purchase, it will enable him to bring suit to recover losses if he can find errors in the registration certificate. But it may fairly be said that the history of "blue sky" legislation is not convincing. They may prevent some dishonest flotation, but no legislation can secure an investor against economic changes. The man who didn't foresee the future of the automobile and bought stock in a new buggy whip factory might have been dealing with the most honest of men, but the market for buggy whips isn't what it was.

On this point another quotation from the Chamber's report is pertinent:

It must be observed that such fraudulent transactions are a minor quantity in

number or dollars compared with dealings in legitimate issues. In all efforts to prevent and punish fraud, this fact should be borne in mind, as well as the fact that no governmental process can be devised that will prevent folly or blind speculation. The policing of all honest performances in an endeavor to catch the dishonest can cost more than it is worth.

The bill in its present form is largely the work of Felix Frankfurter of the Harvard Law School, James N. Landis of the same institution and Benjamin N. Cohen, a New York lawyer. Huston Thompson, formerly a member of the Federal Trade Commission, aided, as did experts from that body and from the Department of Commerce.

In presenting the bill, Representative Rayburn named these authors and presented the case for the proponents of the bill. He undertook to show that the great part of the country's wealth was in the hands of a few corporations, that management now owned only a small amount of the property it controlled, and that there were in 1928 (the number has probably increased since then) 18,000,000 stockholders of corporations in the United States whom he described as "passive citizens having no actual contact with their companies," as possessing "a mere symbol of ownership."

"It is," he added, "for the protection of these 18,000,000 owners of symbols that this bill is drawn."

One point to which little attention has been directed in discussion of the bill is the cost of its administration and the extent to which it will build up another great federal enforcement machine. Certainly to register new capital issues, to carry on investigations, to meet demands from investors for information, will call for a huge staff.

To what extent that may be offset by the cutting down or doing away with state securities bureaus it is hard to say, although this offset will likely be small since the Act specifically does not affect present state control over security issues. We do know that government agencies, federal or state, grow rather than shrink, cost more rather than less.

I have here pointed out only the major inquiries that are being made, the questions that are being asked. A study of the bill will raise others. For those who would know more and go further here is added a summary of the major provisions of the new act:

2. The Act's Provisions

★ THE Securities Act of 1933 is intended to protect the purchaser of new issues of securities by making available to him complete information by which to judge the real value of the security and then making the directors, principal officers, account-

ants, engineers, appraisers, and underwriters liable for loss or damages to any owner of the security because of an untrue statement or omission of a material fact.

The first step in issuing a security is to file with the Federal Trade Commis-

Every policy you buy should be part of a planned Program of Protection



"Those two men in the next office are older than you and probably need Insurance Programs entirely different from the one you ought to have."

WHEN you are in your twenties, working for a modest salary, with no one depending upon you but your wife, you may not need the same kind of an Insurance Program as an older man who has a wife and two or three children. Your first thought is for the protection of your wife if anything happens to you. An older man's needs are more complex. In addition to providing for his wife, he wants each of his children to have an education. And he thinks of the future, when he and his wife hope for leisure and a fixed monthly income. If you compare notes with a half dozen of your friends you

may discover that each one should have a different Insurance Program to meet his particular needs.

Perhaps you, like many others, can arrange to have the kind of protection you want by paying for it monthly. Many find it easier to make twelve small payments than one larger one. This also is part of the Metropolitan's service in meeting each person's preference and convenience.

Ask a Metropolitan Field-Man to help you plan an Insurance Program that will meet your present needs and probable future requirements—a Program that will fit you.

Have a well-rounded Program of Protection. The Metropolitan's contracts afford a means to

- create estates and incomes for families
- pay off mortgages
- educate children
- provide income in the event of retirement
- establish business credits
- stabilize business organizations by indemnifying them against the loss of key-men
- provide group protection for employees covering accident, sickness, old age and death
- provide income on account of disability resulting from personal accident or sickness.

Metropolitan policies on individual lives, in various departments, range from \$1,000 up to \$500,000 or more, and from \$1,000 down to \$100 or less—premiums payable at convenient periods.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.

Metropolitan Life
Insurance Company,
1 Madison Avenue,
New York, N. Y. (N)

Without obligation on my part, I shall be glad to have you give me information concerning an Insurance Program that will fit my needs.

NAME _____

ADDRESS _____

CITY _____

STATE _____



METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT • • • ONE MADISON AVE., NEW YORK, N. Y.

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When writing to METROPOLITAN LIFE INSURANCE COMPANY please mention Nation's Business

sion a registration statement, which must be signed by the principal officers, and a majority of the directors of the company.

The registration statement must include the detail required in Schedule A of the Act, which is, among other things, the names of persons holding more than ten per cent of any class of its stock. A detailed statement of the capitalization and funded debt. The remuneration paid or estimated to be paid to officers and directors for the past year and the ensuing year. The specific purposes of the proposed security issue as well as the net proceeds expected from it. Commissions or other expense to be paid. The price at which the issue is to be sold to the public with any variations from that price for any persons. The general effect of every contract not in the ordinary course of business which either has not been entirely executed or was entered into within the preceding two years. A detailed balance sheet of a date not more than 90 days before filing the statement. A detailed profit and loss statement of the three preceding years, year by year, showing dividends or other distributions, the practice of the company as to depreciation, depletion, and maintenance charges "in such detail and form as the Commission may prescribe," and differentiating between recurring and non-recurring, operating and investment, income.

If the proceeds of the security issue are to be applied toward the purchase of any other business, similar balance sheets and profit and loss statements for the business to be bought must also be supplied.

Copies of certain contracts, indentures, and the articles of incorporation or partnership or trust agreement are required in the registration statement but are to be held confidential by the Commission.

The registration becomes effective 30 days after the filing of the statement if the Commission takes no action to stop it.

Appeal is allowed

THE Commission may require the correction of inaccurate or incomplete registration statements and after an opportunity for a hearing is given, it may issue a stop order. The person aggrieved by such an order may appeal to any Circuit Court of Appeals of the United States or to the Court of Appeals of the District of Columbia. If it appears to the Commission that any person is engaged or about to engage in acts in violation of the Act, the Commission may bring action in the courts for a permanent or temporary injunction against such person, or it may transmit its evidence to the Attorney General for criminal prosecution.

Except for the exempted securities and exempted transactions, it is unlawful to

use interstate transportation or communication to sell, or to offer to buy, or to deliver after sale, any security issued 60 days or more after the passage of the Act unless a registration statement is in effect.

A prospectus must precede or be sent with any security that is carried or sent in interstate commerce for sale or delivery after sale. Interstate commerce is here defined to include foreign commerce and commerce within the District of Columbia.

This prospectus must include substantially the same information that is in the registration statement excepting the confidential copies of contracts, etc. The Commission, however, is authorized to make changes in the items of information that are required to be included in the prospectus.

Extending law against fraud

IT IS unlawful under this Act to sell or advertise any security by any fraudulent methods including an "untrue statement of a material fact or any omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading." No securities are exempted from this provision.

Securities exempted from provisions, other than the fraud provision, of this Act are: those sold, or disposed of, or *bona fide* offered to the public, prior to the effective date of the Act; securities issued or guaranteed by the United States, a territory, or any state of the United States or political subdivision thereof, or a public instrumentality of a state or the United States; any note, draft, bill of exchange, or bankers' acceptance which has a life of not more than nine months; securities of religious, educational, and such non-profit organizations; most building and loan and similar organizations; securities of common carriers subject to Section 20a of the Interstate Commerce Act; contracts for insurance or annuities issued by a company subject to state or federal supervision; and securities issued for a company in receivership with approval of the court.

Transactions exempted are exchanges of security for other securities of the same company where no commission or remuneration is given; or the issuance of securities to security holders and creditors in a *bona fide* reorganization under supervision of a court; brokers' transactions executed on an exchange, an open or counter market where the order was not solicited; isolated sales; and sales by an issuer not with or through an underwriter and not involving any public offering.

Comparable restrictions are imposed on the flotation in this country of foreign securities.

This Act does not affect the control

now held by state security commissions.

If company A is organized to purchase a patent and manufacture under this patent, when it makes its public offering of securities to raise money, it must state what is to be paid for this patent.

If later, in order to expand its operations, it seeks more capital through public offering, it must state what its earnings have been, how much has been allowed for depreciation and for amortization of the value of the patent, its capital set-up, etc.

If part of its assets are represented by good will, it must so state. With this information public, even if good will or the value of some intangible asset seems inflated, there is nothing in the law to prevent the sale of the securities unless the Commission questions the registration statement, and issues a stop order from which the Company can appeal if it wishes.

However, those who signed the statement of registration are liable for loss or damage to any purchaser as well as criminally liable if it later develops that their statements were materially in error or omitted a material fact excepting where, after reasonable investigation, they had reasons to believe that the statement was correct. This exception is not such a loophole as it seems, for there are enough people signing the statement so that at least one should have great difficulty in proving that he did not know of any particular error or omission that was material.

An action to enforce liability under this Act must be brought within two years after the discovery of the untrue statement or omission or after such discovery should have been made by the exercise of reasonable diligence.

No action, or lack of action, by the Commission may be construed or represented as approval by the Commission of a security.

Speculation not prevented

THIS Act does not prevent the organization of a company, and a public issue of securities, for the extraction of gold from sea water, or any other highly speculative enterprise. The purpose of the Act is to make the character of the company's business and its capital set-up known so that all may recognize and avoid the issues of a speculative concern if they do not want to invest in securities of this character. They may nevertheless buy into a speculative enterprise if they wish.

The sections of the Act referring to registration statements and prospectuses do not become effective until July 26. The sections regarding untrue or misleading information and fraud or deception in the sale of securities became effective May 27 when the Act was signed.

**DANGEROUS**

Guiding a canoe through churning white water, around exposed rocks and over unseen menaces—this is "dangerous business" indeed, demanding a sure hand, knowledge of the currents, and absolute control of the craft.



"We must
be ready

to swing into action on a moment's notice!

*That takes modern methods
... it's **DANGEROUS BUSINESS**
to lose control"*

ACTION... fast, sure, decisive... this is the demand made upon every enterprise that wishes to take fullest advantage of today's opportunities.

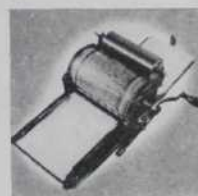
Rehabilitation is the order of the day. Old methods... obsolete, worn-out equipment... yesterday's ideas... all these must be ruthlessly

discarded as the competition for business becomes more intense.

In a thousand and one ways, Addressograph-Multigraph products are providing ACTION to record, tabulate, follow-up and control those vital facts upon which the success of any enterprise depends.

Whether your business is large or small, ask the Addressograph-Multigraph man to demonstrate how this ACTION equipment can make and save money for you, while paying for itself.

Consult the "Where to Buy It" section of your telephone directory for name of nearest Sales Agent, or write direct to Addressograph-Multigraph Corporation, Cleveland, Ohio. See our exhibit at A Century of Progress, Booths 7-8-9, Group J, First Floor, General Exhibits Building



**MODEL 100
MULTIGRAPH**

For quick type-printing of business forms, letters, bulletins, etc., at greatly reduced costs. Low prices



**MODEL 700
ADDRESSOGRAPH**

For speedy name-and-data writing in mailing, order routine, billing, accounting, etc. Easy terms

Addressograph-Multigraph Products

MAKING AND SAVING MONEY FOR EVERY KIND OF BUSINESS • EVERY DAY

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The Facts About the Unemployed

By WILLIAM S. DUTTON



Of the 31,000 unemployed covered by the survey of the Pennsylvania Employment Commission, 75 per cent qualified for skilled ratings

★ WHO are the unemployed, from where do they come, what are their qualifications for work, how do they compare with workers who are still attached to pay rolls?

Until recently there have been no dependable answers to these questions. In fact, our whole program—or lack of program—of dealing with the unemployed has been based largely on guesswork and preconceived notions tintured liberally by imagination.

It may be treason to say so but the fact is that the workless as a class have not been accorded a high place in our

esteem. We have been sympathetic, of course, and we have deplored the seriousness of a situation which we also have recognized as being charged with economic dynamite. Nevertheless, deep in our innermost consciousness has dwelt a suspicion that, after all, most of the more superior beings of the planet still have jobs, and probably will continue to have jobs despite depression.

A nationally known industrialist who under no circumstances wished to be quoted by name told me some time ago that the most serious phase of the unemployment problem, in his opinion,

MANY of us, although sorry for the jobless, have felt that, even today, the efficient still had jobs. The facts give that belief a rude jolt

was the tremendous number of unemployables among the jobless. He estimated that the inefficient and incompetent, the ignorant and the physically or mentally unfit—in short, the dross of labor—made up perhaps a majority of these out of work and not less than ten per cent of the potential working population. Naturally, he said, the least desirable left the pay roll first, which was as it should be.

Unemployed not unemployable

I HAVE heard others express like opinions and nobody present has disagreed with the logic of their views on general grounds though specific exceptions have been taken and allowances made for the unusual extent of unemployment at this time. Without intending to be unkind or unjust, indeed without conscious thought of doing so, these people placed an onus on unemployment only a shade less in degree than they placed on poverty.

Neither condition is pretty. Both take the starch out of a man in time regardless of his potential worth. In the absence of concrete facts it is easy to be misled by appearances and to mistake the result for the cause.

Consequently certain findings of the Pennsylvania Employment Commission evolved from a five months' first-hand study of 31,159 jobless men and women in Philadelphia will surprise countless business men and others who have been forced, because of this lack of real data, to consider the problem of unemployment largely in the abstract. The findings explode as fallacies some of our most widely accepted beliefs on the subject.

The belief that employers in a depression first rid themselves of older workers and leave available jobs to

younger and more active men is directly controverted by the facts developed by the Commission. Likewise is the belief that the less competent make up the bulk of those who have been parted from the pay roll. To an astonishing extent the exact opposite seems to have been true of the 31,159 jobless studied. Third, the unemployed workers of Philadelphia are found to merit a higher educational rating on the average than the population as a whole, with a lower percentage of illiterates and a higher percentage of college trained. And the Commission sees no reason to think that the Philadelphia situation differs essentially from that in other large industrial centers where unemployment has been acute.

Unbiased fact-finding

IT IS pertinent here to remark that the Pennsylvania Employment Commission is a reliable public agency with no axes to grind and no political backs to scratch. It was created by the legislature in the spring of 1931 primarily for demonstration and study purposes, and is financed jointly by the State, the Spelman Fund of New York and by private contributors. Both labor and capital are represented in its councils.

The thought in creating the Commission was that it would, through first-hand contact with employment problems in a time of unusual stress, be able to develop methods and policies which public employment offices elsewhere could eventually apply in bringing about a more effective national system of handling unemployment. Two other demonstrations also supported in part by the Spelman Fund are being made in Rochester, N. Y., and in several cities covered by the Minnesota State Employment Service.

The work of all three of these experimental agencies is conducted along sound scientific lines. That in Philadelphia is in cooperation with the Permanent Committee on Unemployment of the Philadelphia Chamber of Commerce. The chairman of this committee, Morris E. Leeds, who is also a member of the Industrial Relations Committee of the National Chamber, is chairman of the Commission. In the particular study which is the subject of this article, only adult applicants for work at the Commission's offices in Philadelphia over an eight months' period in 1932 were considered, and all the data were obtained by experienced examiners through personal interviews.

In age the applicants ranged from 20 to 70 years, the average age being 36. Only 1.6 per cent were less than 21 years old, 29.4 per cent were more than 40, and 69 per cent were between 20 and 40. The latest census figures on the gainfully employed in Philadelphia place less than 53 per cent in the 21 to 40

age bracket, which gives the unemployed a youth advantage of more than 16 per cent, despite the fact that the census total of gainfully employed included all workers ten years of age or more, whereas the Commission limited its calculation to those of 20 years or more.

One-half of the jobless in clerical callings and in trade and transportation pursuits were less than 30 years old. Those more than 45 were primarily from the industrial and building trades, domestic and personal service, and executive and professional work. In no respect does the study confirm the popular notion that the aging worker has been among the first discharged; instead there is every evidence to the contrary.

Says the Commission:

"As to quality, the applicants registered represent a highly skilled and experienced group. Some 175 occupations were used as a basis for classifying them, and approximately 75 per cent qualified for skilled ratings in their specialty. This proportion of skilled is probably far above that for the employed population as a whole."

It is easy enough to explain the retention by employers of older workers, but the facts are so opposed to common belief as to strain credibility. The popular belief becomes even more surprising when it is considered that the training of apprentices has been practically abandoned for almost four years and has been declining for ten years in many trades.

Work has been routine

SEVERAL reasons may be advanced for this unusual concentration of skill among the jobless. Most of the work done since the fall of 1929 has been of a routine nature. Planning and development, promotion and kindred activities demanding originality and skill have been virtually at a standstill. Many concerns suspended all research work before the depression was a year old.

Paring down of wage rolls also has contributed to the release of more highly paid workers and their replacement by less experienced ones at less money. It is an irony of the times, exploding another fallacy, that many unemployed continue among the jobless chiefly because they are highly skilled. A man of professional caliber may be an excellent stenographer and eager to work at anything he can get, but the employer hesitates to hire him because he knows that the job would be only an expedient.

This paring down of wages through discharge of the skilled has not been limited to business but has extended into all ranks. Housewives have replaced expensive cooks, estate owners have substituted handy-men for gardening specialists.

Of course the virtual stagnation of some whole trades, notably in the build-

ing and construction industry, is another reason for the unusual percentage of skilled in the Philadelphia group. Likewise a certain local condition, in itself of interest, must be considered. One of the first steps of the Pennsylvania Commission in taking up its work was completely to remodel the State Employment Office along lines that would make it comparable in every respect to the most advanced offices of the kind in private industry. The place was made both businesslike and attractive.

Skilled workers encouraged

IT SEEMS reasonable to believe that this improvement had some influence on the types of workers registered, though just how much is problematical. Whatever the case, the study proves most conclusively that skilled workers will and do avail themselves of free public employment centers when they are professionally conducted.

Not alone in skill but in educational background as well, the study showed this group of 31,159 unemployed to excel. Its percentage of college-trained was 5.7 as compared to 4.55 for the adult population as a whole. Those having better than grammar school but no college attendance totaled 26.4 per cent, as compared to an estimated 13.5 per cent for the country. Those with no, or only limited, knowledge of English numbered less than two for each hundred, whereas Philadelphia's proportion of wholly illiterate is more than three and the nation's is more than four. More held college and university degrees than were deficient in English.

It should be added that these figures are not completely conclusive as 40 per cent of the applicants in the group gave no educational data. These were mainly in the domestic and personal service class where employers do not require this information. However, a similar study of 7,600 applicants at the Rochester center, which included the full group, disclosed educational gradings even higher than Philadelphia. There 5.9 per cent had attended college and 43.6 per cent had gone beyond grammar school, making 49.5 per cent of better than eighth grade schooling. The Rochester survey was made in 1931. Subsequent checks have indicated, according to a late statement from that center, that "the educational level of the unemployed is steadily growing higher."

It is interesting here to note that, while Rochester's job applicants were almost evenly divided as to sex, Philadelphia's numbered twice as many men as women. In Rochester 45.7 per cent were single, 42.8 per cent were married and 11.5 per cent were widowed, separated or divorced. Philadelphia percentages were 32.5 single, 55.9 married and 11.6 for the balance. The average num-

(Continued on page 56)

Six Reasons for Paying Fair Prices

By LESTER N. SELIG President, General American Transportation Corp.

★ RECENTLY a test was made in the New Orleans public grammar schools. Each of 2,000 pupils was given a row of six figures and asked to put a circle around the smallest one. Eighty-two per cent of the children in the fifth grade—average age 11 years—circled the proper figure. In the sixth and seventh grades—average ages 12 and 13 years—93 per cent of the youngsters passed the test.

Under the old principles of business operation, these children could qualify for the job of purchasing agent. Even today many buyers cling to the idea that the lowest possible price is the one object and ideal of purchasing.

Let's look at the way buying has been done. The purchasing agent had his imposing offices, drew his substantial salary, was a key executive; and his worth to the company was judged solely by his ability to bully salesmen into lower prices. The cheaper he could buy, the more efficient he was supposed to be.

Unfortunately the average buyer was not satisfied with obtaining merely a fair price. He generally sought and frequently obtained a price lower than he actually needed or ought to have. There were two reasons for this:

First, the executive personnel of his company wanted everything bought more cheaply than it actually needed to buy it—wanted to make its profit on buying, although normal profits should come from manufacture and sale.

Second—because the buyer clung to the theory that it was smart to squeeze the lowest possible price.

These tactics have caused widespread losses in business. They are obviously unsound. They not only injure the general economic welfare, they hamper the individual operation of the company which practices them.

In our own company, we believe that, unless business is mutually profitable, it is not profitable to anyone. For many years we have employed a liberal purchasing policy, seldom seeking simply the lowest price even on major purchases. We believe this policy is making money for us because it gives us at least six advantages that the hard-boiled buyer does not enjoy. They are:

1. Assured source of supply, even in times of shortage.
2. Uniformly high quality of material

purchased; our suppliers don't have to cut any corners to produce for the price we pay.

3. Reliable delivery at all times.
4. A better product, which will be explained later.
5. Ability to meet competitive prices because, when we're in a tight place, our suppliers help us out.
6. Greatly increased good will.

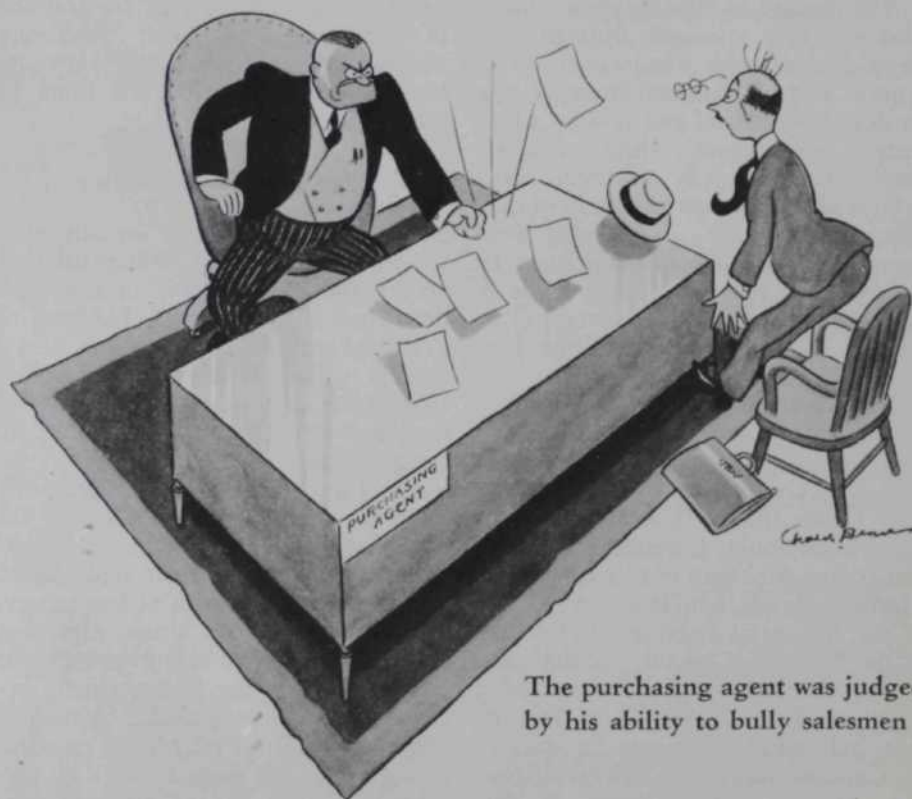
There must be a profit

THERE is plenty of competition in every industry. As a result, price structures are so low that they leave the seller with little profit, if any. Unless the seller can obtain some profit from the merchandise or service he is selling

yet he should safeguard it every way he can. If companies cease to operate they do not employ labor and they do not purchase materials that, in the long run, would help the buyer's own business.

Buyer and seller are merely segments of an economic circle around which should flow mutual benefits. If, through the activities of the buyer, these benefits do not flow, he is, in the long run, hurting himself.

So much for the general economic interrelationship of buyer and seller. Specifically, how does practicing this seemingly altruistic theory prove of practical selfish advantage to us? People from whom we buy know that we want them to make a profit. Naturally



The purchasing agent was judged by his ability to bully salesmen

he cannot long exist. When a purchaser forces a source of supply to suffer a loss he is helping to put that source of supply out of business and thus depriving himself of a medium on which to draw. Constant repetition of this could, conceivably, dry up all sources of supply. The average purchaser does not stop to think of the condition of the industry from which he draws his supplies, and

they feel rather kindly toward us. This kindly feeling takes on a dollars and cents value in several ways. If we need something today we can get it today. When the market tightens up, when the sellers come to have a little say, we seldom get caught short. Our sources of supply know that we have tried to help them and they help us. Moreover, we feel that we can depend on the quality

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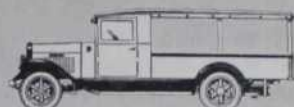
1/2-ton Model D-1;
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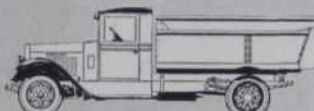
1 1/2-ton Model A-2;
wheelbases 136 and 160 in.



1 1/2-ton Model B-3;
wheelbases 136 and 160 in.



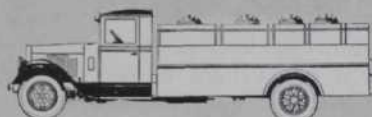
2-ton Model B-4; wheel-
bases 145, 170 and 185 in.



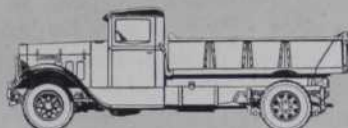
2-ton Model A-4; wheel-
bases 145, 156, 170 and 185 in.



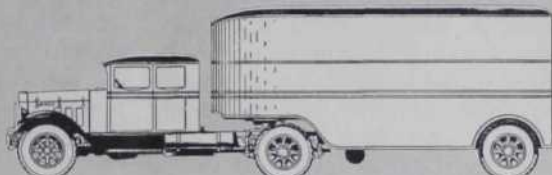
3-ton Model A-5; wheelbases
140, 156, 170, 190 and 210 in.



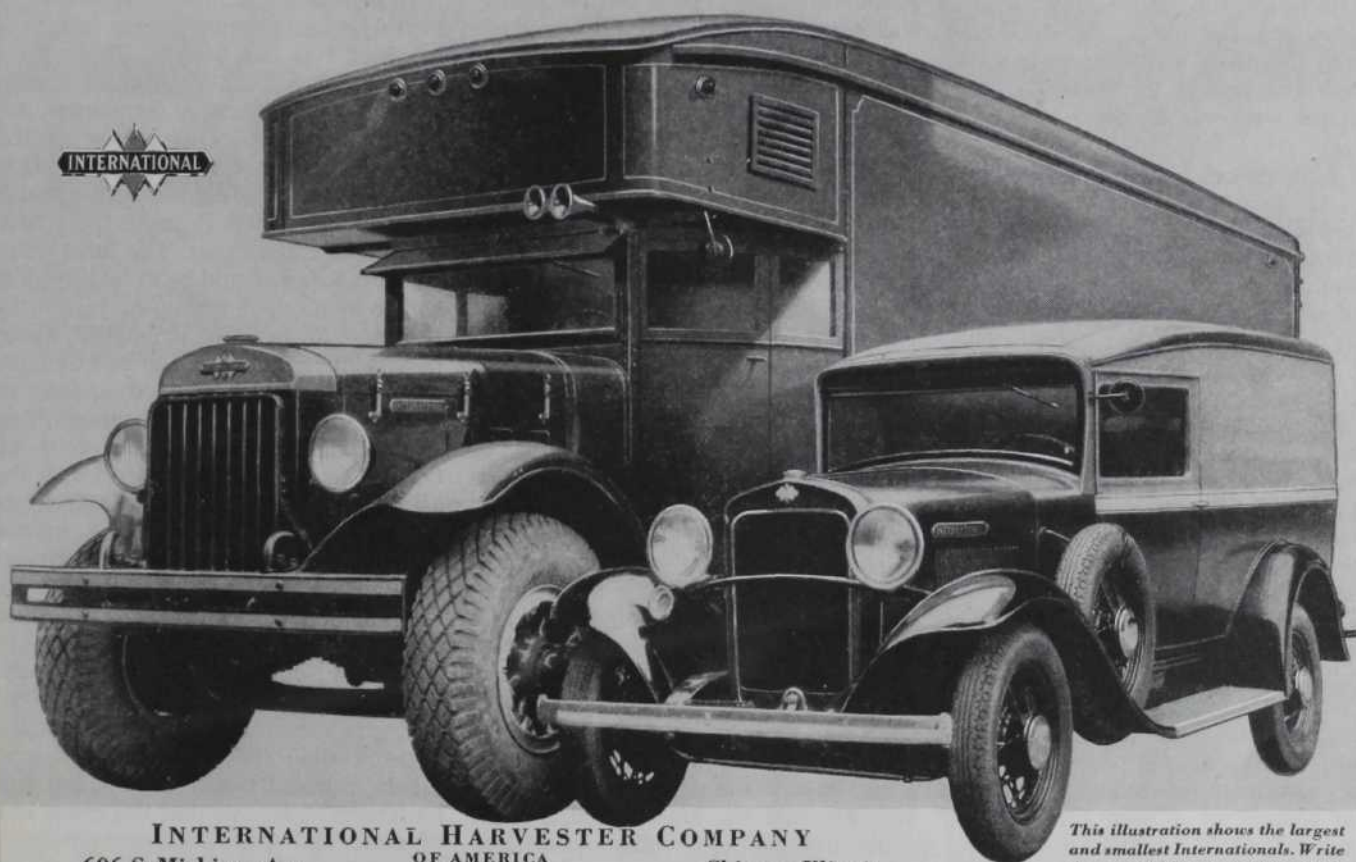
3-ton Model A-6; wheelbases
140, 156, 170, 190 and 210 in.



5 to 7 1/2-ton Model A-7; wheel-
bases 160, 180, 200 and 225 in.



7 1/2-ton Model A-8; wheelbases 160, 180, 200
and 225 in. Shown with semi-trailer.



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of the materials we buy because we have not forced inefficiencies in production. Successful chiseling by the buyer may make it necessary for the seller to cut corners in production and may lead to delivery of an inferior product.

Since most of the people from whom we buy are progressive and forward looking, they are continually seeking to better their products through experiment and research and to bring out new developments that make for increased efficiency or supply a want. This means that they must support research departments of some sort and the only way they can finance these departments is with profits.

If the buyer is not willing to permit his suppliers to make profits to support research, then his own product will suffer because he will not get the continued improvement in materials which the normal course of progressive industry would give him.

Nor will he get cooperation when he needs it. The man who pays a fair price will. Our experience shows this. With our old and tried sources of supply we have built up a cooperative purchasing relationship. When we can afford to pay the prices wanted by the seller, as we can most of the time, we do so without demur. Often, when we have tight deals and require some special consideration on price, we state the facts fully to the sources of supply involved and ask cooperation on this particular deal, without its establishing a precedent in any others as to price. With only one exception in the many years we have maintained this policy, the suppliers have complied with our wishes.

Low prices hurt the buyer

ANOTHER danger to the practitioner of hard buying policies lies in the consolidations in various industries and price structure agreements against the buyer. This is the buyer's own fault. The hard bargains driven in the past several years have forced consolidations for sheer self-protection in many industries. Companies whose policies allowed them to be driven to the lowest price and whose financial structures could not withstand the assault were absorbed by larger and stronger companies. This consolidation seriously limits the buyer's choice of sources of supply and greatly strengthens the seller to withstand his assault.

Price structure agreements, for the most part, have come into being as another method of self-protection. The price agreement of today is not the usual concept of a fixed price with a large profit. Instead, it is generally a price or series of set prices, in which there is no profit, or very little, adopted with a view toward preventing the industry as a whole from taking ruinous losses.

With general business conditions changing, we may come into a sellers' market. Then the hard buyer will be at the mercy of these factors to which he has contributed so much. He may be squeezed—and he deserves to be. The buyer who has given the other fellow a chance to make a profit never will face that problem with his sources of supply.

But I have not enumerated all the advantages of a liberal buying policy. The average purchaser does not realize the tremendous good will that his own purchasing department can create. His company may spend hundreds of thousands or millions of dollars in advertising, and largely ruin this investment by a narrow, hard-driving purchasing policy. From the purchasing offices of any fair-sized company, literally thousands of people each year carry away to their associates, friends and acquaintances, an impression of the company and its products. In certain businesses more people come into contact with the purchasing department of a company than its own sales department contacts outside. Here, ready made, is a grand advertising medium which costs nothing except the exercise of courtesy, patience, and intelligence. Yet, in many cases, its possibilities are thrown away and even ill will created. Not based only on reciprocity purchasing, but, because of the treatment they receive at the hands of our purchasing department, many people invariably give us the preference whenever they require the products or services we have to sell.

The ideal purchasing agent, and there are many in this country, is a man whose knowledge of broad business principles is not confined to his own narrow sphere, but to industry and commerce generally. This type of purchasing official does not have to be told what the right price is, what the right quality is, or what the right source of supply is. He knows. He understands his markets; he understands the conditions of the industry from which he is drawing his supplies or service, he understands the personnel with whom he is dealing; he knows how to build up good will and create sales opportunities for his own business.

The new school of purchasing agents should all be brought up in the sales department. This training would give them the courtesy, good fellowship, and contacts which few buyers now possess. This training would also give them the feel of business deals. Any salesman worthy of the name knows generally on about what basis a deal can be made, and also knows what is a fair trade under the circumstances. This technical training could be used to good advantage in consummating a fair purchase. Having met the usual difficulties in the sales department of the business, the future purchasing official should

then be put to work buying. There is no question that, because of his past experience and training, he will be broader and more efficient.

He will know, as any good salesman knows, that, in every deal, price is just about the last subject discussed. The politics of the immediate situation, quality, delivery, service, all the elements that go to make up a trade, are discussed before the question of price comes up.

If the sales representative is competent, efficient and well regarded; if the quality of the merchandise and reputation of the maker are high; then the question of price will take care of itself.

Sell quality rather than price

A BUSINESS of reputation and standing in any industry can in any period even approaching normal conditions merchandise its product at a fair price if it is a good product, honestly manufactured and honestly merchandised. It does not have to depend on a niggardly buying policy for its profits and such a policy will not produce profits for it. I should rather have the reputation of selling a better product than of underselling. The reputation of my product will endure so long as the product deserves it but delight at my cut price will cease the moment someone else comes in with a split penny advantage over me.

In my experience, I have known three men who had reputations for being the toughest type of buyers. These three men, who held the top purchasing positions in their respective companies, are now out of jobs. This is one of the most obvious and most hopeful signs of the times. They did not keep up with the new era; they thought their only job was to cause losses. The function of business today should be to make profits and to help others make profits.

I know of two other companies whose purchasing methods are so bad that the larger and well managed companies in the industry from which they draw their products will not even quote them. One of these companies never has the same source of supply twice. The fact that the reputable companies do not want their business is another obvious and hopeful sign.

I am naturally optimistic. I believe that this new school of purchasing has come into being in a small way already. I believe that there are more buyers today who want the other fellow to make a profit than there ever were before. I believe that the day of chiseling will go forever. I believe that the executives of more and more companies will insist upon a broad, liberal, courteous buying policy, and instruct their people accordingly, not as a matter of altruism, but just as ordinary, sound, common sense business.



ON the horizon, a faint, dark line. And, for business, how full of promise and hope.

But business will find no easy paradise when it beaches its boat on the shore. Instead, a land of relentless competition, of savage battles for sales. A land where only the fittest products can survive.

Is your product equipped to face this kind of future? You can afford to overlook nothing—the package least of all. For the contest for consumer-favor will more than ever be waged with packages. Not necessarily more expensive packages—but more intelligent packages. Not necessarily cheaper ones—but packages that sell. In your package may lie the greatest opportunity—or greatest weakness—of all.

Few techniques of business have changed as that of packaging has changed. Few have advanced with such rapid, resultful strides. Day by day more practical, more tempting, more convenient, more scientifically correct—the new packages have come in a steady stream. The public has been quick to take the new, discard the old—and demand still more new containers. The product that has not kept up with the new developments cannot keep up in sales.

Is there a package better equipped to sell your product than the one you have had so long? No better place to find out than the Canco office near you. American Can Company designers and engineers are thoroughly versed in modern packaging. It is more than likely they can give you the kind of ideas that reflect themselves in sales.

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The Trade Associations Are Ready

(Continued from page 38)

exchange plans. The National-American Wholesale Lumber Association, Northern Hemlock and Hardwood Manufacturers Association, Toy Manufacturers of the United States, and many other associations maintain comprehensive credit records for their members. The American Surgical Trade Association and others publish a credit directory.

The National Association of Credit Men and a few trade associations maintain a foreign credit service.

An adjustment and collection service is operated in conjunction with a credit service by the American Association of Wholesale Opticians, Associated Dress Industries of America, and others. Where the individual concern has been unsuccessful in collecting amounts due, the association's collection service is frequently effective.

Representation in bankruptcies

GENERAL associations have given special consideration to bankruptcies or failures within the industry or in the group to which the members of the industry sell their products. The American Dental Trade Association not only operates a credit and collection service, but also represents member companies in the cases of default of payment, liquidation, bankruptcies, receiverships, and assignments.

The American Paint and Varnish Manufacturers' Association received the award of the American Trade Association Executives in 1932 largely by reason of a voluntary agreement operated through its Unfair Competition Bureau, affording "striking evidence of the industry's ability to regulate itself in its own and the public interest."

The National Association of Dyers and Cleaners of the United States and Canada received a similar award in 1931 for "the expanded intelligent and comprehensive program of service to the industry and to the public in a difficult field and for courageous treatment of a dangerous weakness in business conduct by their attack on racketeering." Thus, the jury of award in both cases recognized as outstanding achievements, the associations' efforts to eliminate unfair and destructive competition.

Consider the work of the American Standards Association. In a surprisingly small number of cases is a standardization problem of primary concern to only one organized producer group. In fact, most standardization problems affect many varied groups and interests. The specifications for wood poles for

power and communication lines, for example, are important not only to the producers of the poles, but to the power, telephone, telegraph, municipal, and steam and electric railway groups, and to such diverse groups as the American Wood Preservers Association and the Federal Government.

Cooperation helps all groups

ALL these were officially represented on the joint technical committee which prepared specifications satisfactory to users as well as producers. Not only were confusing elements eliminated from the marketing situation, but an inequitable basis of competition between consumer groups was corrected. Now all groups are in an equally good position.

The new specifications have already brought about a much freer national market than ever before existed. The product can flow from the forest through the treating plant and into use without having to be ear-marked from the beginning for particular consumer uses.

How far-reaching the effect on this \$60,000,000 industry will be is indicated by the sale of 27,000 copies of the specifications in a single year.

The "truth in advertising" movement begun by the Associated Advertising Clubs of the World and affiliated Better Business Bureaus, the National Industrial Conference Board declares, bespeaks a wide and growing sense of responsibility among business men for the elimination of deceptive methods of merchandising.

Beginning in 1911, this work has been expanded and solidified into a nationwide campaign for the protection of honest business against the competition which thrives on deceit and misrepresentation.

For better advertising

THE Periodical Publishers' Association of America formulated certain Principles of Censorship, "which, within the limits of human vigilance, govern our acceptance of advertising accounts and copy."

These principles have to do, among other things, with the truthfulness and educational value of the advertising, the reliability of the advertiser, and the attitude expressed toward competitors.

Moreover, through the cooperation of this organization, a trade practice conference held in 1928 adopted a resolution pledging the assistance of the in-

dustry to the National Better Business Bureau in its campaign against fraudulent and misleading advertising.

One of the most significant experiments in self-regulation by business began with the trade conference procedure authorized by the Federal Trade Commission. As the procedure has developed, the initiation of such a conference rests solely with the members of the industry concerned.

Moreover, unless the Commission receives definite assurance that the calling of a trade conference is supported by a majority of the interests within the industry, it has consistently refused to take any steps leading to such a meeting.

William L. Sweet, treasurer of the Rumford Chemical Works, points out, that "Within ten years more than 150 industries conducted trade practice conferences under the guidance of the Federal Trade Commission and set up self-imposed standards of fair dealing. According to conservative estimates, these standards at one time influenced the daily transactions of more than 500,000 individual business men and business organizations.

"No less than 16,000 written endorsements of the conference rules were obtained from the membership of a single industry."

"More chivalrous competition"

AFTER taking stock of the regulation of competitive practices, the National Industrial Conference Board finds that "The transformation going on in the commercial world toward a more chivalrous competition may have been aided by the administrative regulation of business practices. But that it is fundamentally a spontaneous conversion is indicated by the significant development latterly of these voluntary organizations which would purge trade competition of corrupt and unfair methods."

The trade association as developed in the United States provides a matured technic of self-regulation adequate to the opportunity envisaged in the national industrial recovery legislation. That this experience has been accumulating for many years through the public interest of business groups assures a larger measure of usefulness under federal recognition is argued by the consistent voluntary quality which has characterized it through its formative period.

Organized business has earned the people's recognition of its self-discipline, and whatever the terms of the sanctioned working agreement by which the alliance with Government becomes productive, it is everlastingly to the fame of American trade and industry that they prepared themselves for a great service to their country.



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The Complex Job of Farm Relief

Some Reasons Why the Administration of the New Bill Moves Slowly

★ **FIRST** of the great emergency measures to be passed by Congress was the Farm Relief Act signed by President Roosevelt on May 12.

At this writing, nearly a month after the signing of the bill, the first steps in putting it into effect are being taken.

This doesn't mean that the new Secretary of Agriculture, or the Administrator of the Bill, or their host of advisers, have not been busy. They have been busy, very busy. The Agricultural Building has buzzed with conferences. Economists and farm experts have put together plans and then taken them apart; millers and grain growers and bakers have held public conferences; cotton growers and cotton manufacturers have met and sought to present a united argument on a plan to put cotton at the agreed on prices.

Gossip in critical Washington has been that the Department has suffered from a multiplicity of advisers with a multiplicity of views and from a lack of singleness of purpose. More likely it is the inherent difficulty in the administration of so vast a project that has caused the apparent delay.

The bill is really three bills in one. The first labelled "Agricultural Adjustment," is the problem that the Department of Agriculture experts are tackling and with which this article deals; the second, "Agricultural Credits," is devoted to reorganizing the whole farm loan system; the third, "Financing," is known commonly as the inflation bill.

The agricultural adjustment section of the bill includes as Part I the cotton option contract plan designed to reduce the acreage of cotton and recompense the farmer for his lessening of production. Part II, "Commodity Benefits," includes the leasing and domestic allotment and marketing agreement plans. The primary purpose of the bill was to give major farm products a price level "that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the base period."

For the present the bill is limited to wheat, cotton, corn, hogs, rice, tobacco and milk. The base period for all but tobacco was August, 1909, to July, 1914; for tobacco August, 1919, to July, 1929.



The base prices, and prices early in June compare as follows:

	Base	Apparent prices on June 5
Wheat	88.4	58.0
Cotton	12.4	8.8
Corn	64.2	36.0
Hogs	\$7.24	\$3.80
Rice	81	65.0
Tobacco	20.4	9.0
Milk	\$1.79	\$1.14

To limit production

TO restore prices then to points in the first column is a major purpose of the bill; a second major purpose is to keep prices about at those points by reducing production. To accomplish those purposes the Secretary of Agriculture is empowered:

1. To agree with farmers to limit acreage or in other ways to cut down production and to recompense the farmer by renting the land he leaves idle or by making other benefit payments for cutting production.

2. To make marketing agreements with processors and producers, the antitrust laws being waived for that purpose.

3. To license processors, associations of producers and others "to engage in the handling, in the current of interstate or foreign commerce, of any agricultural commodity or product thereof, or any competing commodity or product thereof." Handling any such commodity without a license is punishable by a fine of \$1,000 a day.

So far little has been done under the leasing clause except as to cotton where there were indications of action this summer to retire cotton acreage already planted. It was felt perhaps that this would help to maintain or increase the price of cotton. Plans have, however, been made to put the leasing plan into

effect in the future with the county agent as the prime mover. One of the close advisers of the Secretary of Agriculture thus outlined what it was proposed to do:

"We intend to ask the county agents to call together the farmers in their territories to explain the bill and what it is proposed to do. Then the agents will give out tentative agreements perhaps or some printed explanation for the farmers to study. After an interval another meeting would be called, questions asked; if ready, proposals for leasing made."

But the real work under the bill is setting up market agreements. It is thought that, if these prove workable, the licensing feature of the bill and perhaps the processing tax may not have to be put into effect. Already a number of meetings have been held and a number of tentative agreements have been presented. It is not hard to see how difficult such agreements are to reach, how complicated, sometimes conflicting, the interests are. Take cotton, which starts with a Southern farmer and ends in two such contrasting products as a woman's dress or an automobile tire. There are dozens of interested industries along the way, merchants of raw cotton, spinners of yarn, crushers of cotton seed, makers of soap and cooking fats, makers of textiles, the list could be increased almost indefinitely.

Wheat is not much easier though most of its production finds its end in the human stomach. To the conference which sought to reach a marketing agreement on wheat came the grain growers, the members of grain exchanges, the owners of grain elevators, the millers, the bakers of bread and pies, the makers of macaroni. It may seem simple to say that, if the buyers of wheat would agree to pay 88.4 cents a bushel, everything would be settled. The farmer would be happy, the miller wouldn't care because he'd pass the price on to the baker and the baker wouldn't care because he'd pass the price on to the bread eater and the bread eater wouldn't care because he'd see the farmer buying more goods and the circle of production-consumption-production growing ever wider instead of spiraling downward. But the prob-

(Continued on page 62)

Getting \$3,000,000,000 into Motion

Increasing Spending Power and Acquiring Needed Public Works

★ THE second part of the National Recovery Act deals with public works and provides for spending \$3,300,000,000, a sum so great that it calls for more than \$200,000,000 a year in interest and amortization. No small burden this on the taxpayer, but worth it to put men at work on worth while projects with a resulting increase in spending power.

Of this amount, \$400,000,000 is definitely to be spent on road projects. Of the rest probably \$900,000,000 will go into Federal Government public works and \$2,000,000,000 in federal grants and loans to states, cities and other public subdivisions.

General Johnson in charge

GEN. Hugh Johnson is expected to be administrator of the bill as a whole, but serving under him in charge of the biggest peace-time spending job the Government ever undertook will be Col. George R. Spalding of the United States Army. With him will be associated a small group of engineers and experts. It is planned to make the governor of each state the focusing point of all projects submitted to the Federal Government and to give to each governor or to several governors grouped into one district an adviser, perhaps an army engineer, who shall help decide which projects are best fitted to carry out the Federal Government's purposes.

The Associated General Contractors, days before the bill was passed, suggested to each governor that he set up a quick acting machine within his own state to deal, through the governor, with the final arbiters at Washington. In most cases the governors acted promptly. Many states are ready to get into action as soon as the bill becomes law. (This is written on June 10 with every prospect that the bill will be enacted before many days.)

In all this spending, whether for roads, for Federal public works, or for state and local projects, certain principles will be followed.

One thing desired is speed. The project which can get under way first will have an advantage. If a city has a sewerage project for which the plans have been approved and bond issues author-

ized, it is more likely to get federal aid than a city which vaguely wants a sewer but hasn't agreed on how much to spend or how to spend it.

A second thing is the permanent "worthwhileness" of the project. In considering new post offices and public buildings, the actual need of the community will be examined. The city that wants a necessary filtration plant is more likely to be welcomed than one that wants a municipal opera house.

A third thing is the proportion of the money which will go into labor and material as against say, real estate. The purpose of the bill is to get money into motion through wages, either on the project or in the factories supplying material.

The spending of the \$400,000,000 on roads is not difficult. Most states have road programs already planned and can begin putting men to work within a few days after the law is enacted. The Federal Government bears the entire burden of this \$400,000,000. There is to be no borrowing by the states, no issuance of



AN increased spending power is regarded as a first step toward better times. The Recovery Bill undertakes to supply this need through a program of public works. Here is how the plan is expected to work



bonds. This money is to be allotted on the basis of population, area and existing post road mileage in accordance with the Federal Highway Act. It is believed that this \$400,000,000 can get into circulation through wage payment and material purchases.

Projects for improving existing roads and lessening hazards in states already well equipped with highways are likely to find favor with the Federal Government although part of the \$400,000,000 may be used for construction of local

and feeder roads. The \$900,000,000 for federal public works will go to public buildings, river and harbor improvements, development of natural resources and such projects. The entire cost will be borne by the Federal Government and the work to be done will be selected by federal officials.

The Army, the Navy, the Treasury, the Post Office Department and the Interior Department each will have a share but what those shares will be is not yet decided.

Of most concern to readers of this magazine is the \$2,000,000,000 to be spent on federal grants and loans to states, cities, etc. This money will go for water supply and filtration plants, sewage disposal projects, street improvements, public buildings, nearly all the things on which states and cities spend their own money in ordinary times.

Of the \$2,000,000,000 it is probable that \$500,000,000 will go in direct grants to the political units and the rest will be loaned by the Federal Government.

The bill provides that up to 30 per cent of the materials and labor entering into the project may be given by the Federal Government, perhaps in the form of remission of interest and amortization over a period of years.

How it may be spent

A GOOD idea of the way this money will be spent is found in this extract from a memorandum sent by the United States Chamber of Commerce to the local chambers in its membership:

Communities will serve their own best interests as well as the purpose of the law if they will confine their requests to those projects for which there is a clearly demonstrable need, and which the community, in view of the financing assistance made available by the Federal Government, can afford to undertake.

In recommending a project two sets of facts must be considered:

1. Facts regarding the project showing
 - (a) That it is needed and can be afforded.
 - (b) What it will cost.
 - (c) Percentage of cost that will go to

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salaries and wages and to materials.

(d) Time it will take to get the work started after approval of project.

(e) Whether engineering and other planning work for the project has already been completed.

2. Facts regarding the municipality as a borrower showing

(a) Whether its budget is balanced or steps have been taken reasonably designed to insure such balance.

(b) Amount of bonds outstanding.

(c) Legal limit of bonded indebtedness.

(d) Whether bonds have been authorized for the project and have been approved by a reputable bonding house.

Because providing employment is the objective of the law, special attention should be given to the percentage of total cost of a proposed project which will be spent on wages and salaries.

A Job That Will Mean Billions

★ THERE are about 8,000 closed banks in the country. It has been estimated that deposits to a total of some \$9,000,000,000 are involved. Nearly half of these banks, with nearly \$6,000,000,000 of deposits, have not been licensed to resume operations since the banking holiday and the others had been placed in the hands of liquidating agents before that strenuous period. Prompt and intelligent reopening of banks would release almost immediately from three to five billions of locked up money.

Open banks or liquidation

NOT all of the unlicensed banks can be reopened; many must be liquidated. The prompt reopening of those which can be reorganized and the orderly liquidating of banks which cannot be reopened is the task which in Washington and in most state capitals should be kept at the top of the list of things to be done.

Accomplishment of this task—especially the addition of banks to the licensed list—is of immediate importance not alone in aid of economic recovery but in alleviation of political and social difficulties of first magnitude. Depositors demand all possible speed. The early availability of billions of dollars of assets would relieve distress of many people and lubricate the channels of trade.

Without waiting upon federal or state legislation, public officials, with the cooperation of directors, stockholders and depositors of the banks, must move with expedition to free the drag-anchor which the closed banks place upon recovery.

In Washington, the Treasury forces,

Part of the \$2,000,000,000 of federal funds designed to go to state and community projects may reach certain semi-private projects, chiefly low cost housing and slum clearance plans. No definite part of the \$2,000,000,000 has been allotted to this. The difficulty with these housing plans is always their "merchantability," that is, are they salable to the people who must live in them at a price these people can afford? To erect a new building on a site cleaned of old-fashioned tenements and then to ask the dwellers in those old tenements to pay 20 per cent more for housing out of an unincreased wage is no solution to the problem. The community or the private corporation that wants federal aid for home and tenement building projects must be ready with answers to such questions as these.

the office of the Comptroller of the Currency and officials of the Federal Reserve System and the Reconstruction Finance Corporation are giving unsparingly of their time. They are fully alive to the significance of the situation.

The U. S. Chamber of Commerce has urged that, in valuing assets of closed banks, a policy of recognizing real values, in contrast to present market values in every case, should be followed. Such policy would be especially applicable in the reopening of banks.

Innumerable difficulties must be surmounted. Their solution does not entirely rest with public officials. Cooperation of all elements is essential. Our attention has been drawn to cases in which local complications, due to jealousies and frictions, largely unknown to the general run of depositors, have prevented the formulation of plans for reopening banks and have tied the hands of public agencies.

Unwarranted charges made

IN some of these situations unwarranted charges of delay and inefficiency of public officials have been made. Depositors' committees, chambers of commerce and business houses should be careful to obtain the facts before making public statements concerning particular bank situations. Frank interchange of suggestions and criticisms is desirable.

Unfounded criticism and unintelligent complaint will add to public restiveness, retard the growth of confidence and hurt the going banks whose well-being is involved with that of the depositors and other creditors of the unopened banks.—J. O'C.

The Capitalization of the Railroads

Is it Too Much or Too Little? Here are the Available Figures

✓ **COMMENTS** on the railroad article in the June NATION'S BUSINESS reveal some of the difficulties in interpreting railroad statistics. In that article official estimates of the value of the railroads were cited as 22 to 24 billion dollars and statistics were given indicating a maximum capitalization of about 23 billion dollars—the conclusion being that the railroads as a whole are not overcapitalized.

The writer realized what some of the comments on the article bring out—that if figures were available to make possible an exact comparison they would show that the railroads, far from being overcapitalized, are substantially undercapitalized. Because of the difficulty of using some of the published figures without extensive explanation of the qualifications applying to them, the June article purposely leaned backward to avoid any possible charge of exaggeration. Furthermore, it was pointed out that the capitalization problem is serious only in the case of the relatively small proportion of the railroads in weak earning position and with excessive indebtedness and fixed charges.

Take the matter of valuation. In spite of the 20 years and millions of dollars spent under the Valuation Act of 1913, no final total figure for the value of the railroads is yet available. For each road there is, however, (the latest having been completed last year) a primary valuation as of the original valuation date established for each particular road. In almost every instance, however, this is a date in 1916, 1917 or 1918, and this primary valuation is based on prewar unit prices.

The Commission is now bringing the valuations down to date. This involves both revision of the unit prices of the railroad plant as existing on the date of valuation and accounting for the additions to plant since that date. Meanwhile various estimates of the total have been made. The figures used in the June article are taken from the testimony of Commissioner Joseph B. Eastman before the House Committee on Interstate and Foreign Commerce in February, 1932. At that time Mr. Eastman presented figures for total value computed by the Commission's Bureau of Statistics on three different bases:

(a) \$24,300,000,000 as investment cost less depreciation.

(b) \$22,300,000,000 as the Commission's primary valuations with subsequent additions and deductions taken from the investment accounts.

(c) \$23,700,000,000 as the value taken by the Commission in the general rate case of 1920 brought down to date by the same method.

Mr. Eastman stated that the second of these figures was worked out by practically the same method used in the Commission's valuation of the O'Fallon Railroads which was rejected by the Supreme Court. It seems fair, therefore, pending final determination, to lay emphasis on the other two methods, and consider 24 billion dollars as the best available total.

Valuation may be higher

IT SHOULD be understood that the railroads dissent from various features of the Commission's valuation methods and that, if their views should prevail, the final valuation would undoubtedly be greater than any of these estimates.

Now, in the matter of capitalization. The published figures of 23 billion dollars for total railroad capital issued and outstanding includes securities of railroads held by other railroads. These amount to more than five billions. The greater part undoubtedly represents cases where one railroad corporation operates another as part of a consolidated system, and any securities of the second company owned by the first should obviously be deducted from the total of 23 billion dollars in seeking to establish the true capitalization of the railroads. On the other hand, where the ownership by one railroad company in another is not directly for operating purposes but primarily for investment, there may be difference of opinion as to whether such holdings should be deducted in calculating total capitalization.

It is difficult to draw a sharp line between the two groups but available information indicates that the investment holdings form a relatively small part of the railroad securities held by other railroads. Without deducting them, but after eliminating the obvious duplica-

tions mentioned, it seems fair to consider the total of railroad capitalization as approximately \$20,000,000,000.

There is some discrepancy in comparing the valuation totals with the capitalization totals in that the valuation figures embrace all Class I railroads, including switching and terminal companies, but none of the Class II and Class III railroads (railroads having less than one million dollars annual gross earnings), whereas the capitalization figures include the railroads of all three classes, but none of the switching and terminal companies. These discrepancies, however, are relatively small and tend to offset each other.

In this discussion of capitalization, stocks as well as bonds have, of course, been calculated at par. In the oft-repeated assertion of the last two years that wholesale scaling down of railroad securities is inescapable, the present relation of market values to par values of the securities is often cited, and some have even contended that the total market value of railroad securities should be regarded as the correct valuation. If the railroads were alone in the tremendous drop in market prices since the fall of 1929, this argument might have more weight. Of course they are not alone.

Fluctuations in market value

THE market quotations reveal few stocks of industrial corporations, large or small, at anything like par, and high-class bonds have not escaped the pressure. The United States Steel Corporation, for example, with assets of \$2,159,000,000, would today (June 7) at market prices be worth about \$854,000,000. A year ago its market value would have figured about \$460,000,000; four years ago, \$2,700,000,000. Yet no thoughtful person would say that these wide ranges represent actual proportional changes in intrinsic value. The same is certainly true in large degree of railroad values.

To sum up, refinement of the figures in the June article would give considerable support for the argument that, as a whole, the railroads are undercapitalized. Certainly it materially strengthens the assertion that they are not overcapitalized.

—A. B. BARBER



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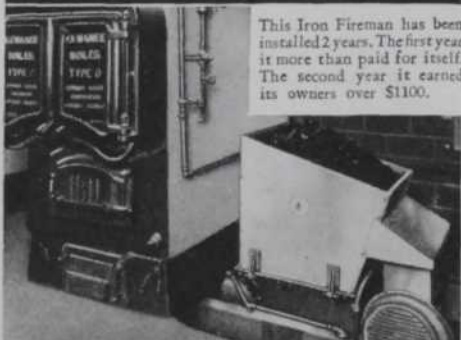


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Fireman representative, who made a survey of their boiler room. They have just finished their second season of Iron Fireman heating. Result: Fuel costs reduced from an average of \$1500 a year to an average of \$402.20 a year, an annual saving of \$1147.80 or 76 per cent.

"Iron Fireman more than paid for itself out of savings the first year," writes Mr. Mullett.

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The Facts About the Unemployed

(Continued from page 45)

ber of dependents in Rochester was 1.3, while in Philadelphia 16 per cent had no dependents, 37.4 per cent had one or two, 13 per cent had three, and 33.6 per cent had four or more.

In general, more than four-fifths of the Philadelphia jobless were white, which means that the percentage of negroes was slightly higher than for the city's population. The Commission believes this may be due to the geographic location of the office and also to the fact that 2 per cent of the total registered were of the domestic and personal service class. More than 72 per cent were native born, and 42.7 per cent were born in Philadelphia or in Pennsylvania. Ninety per cent were American citizens and an additional three per cent claimed first papers. Among the foreign born, natives of the British Isles predominated in the skilled and semi-skilled trades and in domestic and personal service, Italians in the unskilled occupations.

The survey did not cover length of residence in Philadelphia but subsequent studies point conclusively to the fact that the unemployed army includes a minimum of drifters. Of 2,671 applicants for jobs registered in January whose residence duration was known, 97.3 per cent had lived in Philadelphia for two years or more, and 35 per cent had spent their lives there. This finding is confirmed by a Rochester survey, which disclosed 93 per cent had lived in that city for more than one year and more than 75 per cent for five years.

A test of the stability of workers in employment is the length of time they stay on jobs. In this, the Philadelphia group also showed up well. Length of service on the longest job held was distributed as follows: eight per cent had worked less than one year; 22.4 per cent more than two years; 21.1 per cent more than four years, and 41 per cent had stayed on one job five years or longer. About two per cent had worked

irregularly and the service status of five per cent was not specified. When it is considered that the group included all classes of workers, among them a large proportion of domestics and purely seasonal workers, this record of stability is remarkable.

As to occupational distribution, the hand and mechanical trades of a skilled and semi-skilled nature contributed the greatest number of jobseekers. These totaled 11,409 applicants, of whom 32.5 per cent were in the building and construction trades, 27.4 per cent in the metal trades, 8.7 per cent in the textile and clothing trades, 2.6 per cent in the printing trades and the remainder in a miscellaneous group.

Some 20 occupations in domestic and personal service accounted for 6,212 applicants, or 20 per cent of the total. The unskilled hand and mechanical trades numbered 4,399 or about 14 per cent.

White collar workers made up roughly 22 per cent of the whole group. Clerical workers, with clerks, stenographers and bookkeepers predominating, constituted 14 per cent, and executive and professional workers 4.8 per cent. Among the latter were 350 designers and draftsmen, 296 managers, 253 proprietors, 160 technical engineers and 116 teachers.

Only 2,435, or about eight per cent, were classified under transportation and trade pursuits. The largest single occupations in this group were truck drivers, sales clerks and sales agents; the most highly skilled were shipping agents, buyers and bank tellers.

Compared to the proportions of the same occupations among the city's gainfully employed, the percentages of job-seekers were high in the skilled and semi-skilled hand and mechanical trades, also in the unskilled classes of this group, in domestic and personal service, and in the office worker classification. They were low for transportation and trade, and for executive and professional work.

We Need a Minimum Wage Law

(Continued from page 24)

basting threads and sponging grease spots that had occurred in sewing. As it takes about five minutes to clean one pair, this means, providing the work comes in steadily, a wage of \$2.88 a week for a 48 hour week.

In a toy factory, the highest wage was \$6 a week. For a 50 hour week, one girl was paid at the rate of 5.5 cents an hour; another 3.5 cents.

Many of these manufacturers are increasing the working day and working

week. In one factory 16 girls were found working illegally long hours. Of 125 children found illegally employed in the state, 50 per cent, working full time, earned less than \$5 a week and some as little as 35 cents a day. The fact that the proportion of child labor law violations increased 30 per cent between 1930 and 1931 indicates the progressive breakdown of standards.

So does the report of the Commissioner of Labor and Industry of Virginia for the year ending September

No after-lunch DROWSINESS

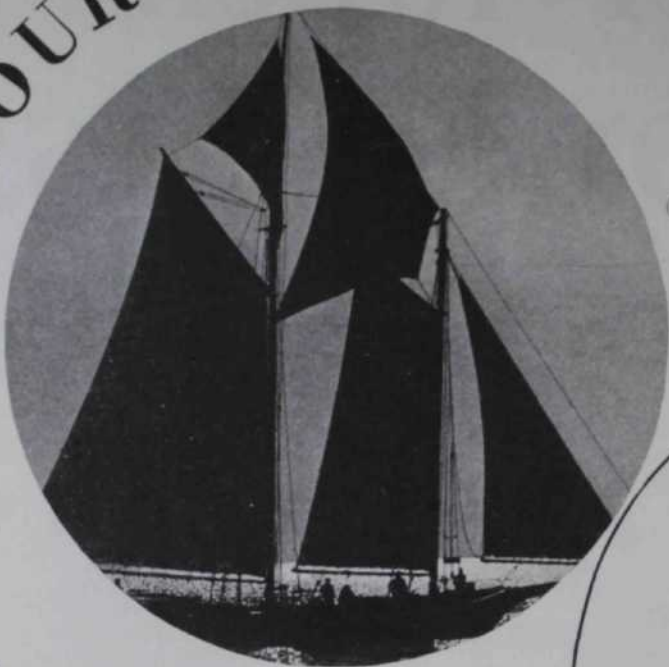


Why come back from lunch feeling drowsy? Choose a refreshing lunch, and be yourself. *Bounce back to normal* with an ice-cold Coca-Cola, the natural partner of so many good things to eat. • An ice-cold Coca-Cola is more than just a drink. It's a very particular kind of drink — combining those pleasant, wholesome substances which foremost scientists say do most in restoring you to your normal self. Really delicious, it invites a pause, a pause that will refresh you.

Drink
Coca-Cola
Delicious and Refreshing

*Back to work
with a fresh start*

ARE YOUR SAILS SPREAD to



Catch the *Light Breezes* of Business?

THE WIND of business is blowing now for watchful sailors alert enough to take advantage of it. Its force is proved by daily reports of a firm here, a great corporation there, or a little business elsewhere, that is increasing sales, or profits, or both . . . moving before the available breezes out of the aimless drift of dead calm.

Are your sails spread? Are you ready to catch the first breezes of business recovery?

If your product or service is right . . .

If you have sales plans . . .

If you know where your market lies . . .

If you are prepared to follow inquiries . . .

If you are prepared to send salesmen or mail booklets to the men behind the doors that advertising has opened . . . then advertising, intelligently used, *will* help.



If you are ready to sell a product or service to alert business executives, NATION'S BUSINESS will help. It reaches a market of more than a quarter million identified, active business men of known standing, known interests and known income. Men who are making today's buying decisions.

With tested copy, tested follow-up, tested sales methods, you can advertise in NATION'S BUSINESS with every confidence that your investment will bring profitable returns.

Its buying influence is out of all proportion to its circulation, and the cost is surprisingly low.

When are you going to utilize this profitable advertising medium?

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BUSINESS

WASHINGTON



30, 1932. He states that many complaints of low wages and unfair practices have been received. To avoid criticism for cutting wages, some employers had dismissed workers and replaced them by others at lower wages or called them back later and offered them their former jobs at wages reduced by 20 or 25 per cent. For thousands of workers wages ranged as low as ten and 12 cents an hour.

He also stated that, though reduction of hours had occurred, many factories continued to work women the ten hour day limit set by law or even longer. Hours on night shifts for men ranged from 11 to 13. He felt that unfair practices and competition resulting in low wages must be bridled and that, if necessary, a minimum wage law should be enacted to protect the wage earner.

The Massachusetts Commissioner of Labor and Industries feels that the minimum wage law would protect, not only the worker but the responsible manufacturer, as well.

"These plants," he says, speaking of sweatshops, "are for the most part in charge of men of inferior business caliber who probably could not survive at all if it were not for their willingness to be entirely ruthless in exploiting labor."

Sweatshops forward depression

THIS ruthlessness must stop, and I feel that enlightened business men are as eager to stop it as anyone. Naturally I do not believe that the sweatshop is entirely to blame for our present depression, but I do feel that it has been a serious contributing factor to the decline of wages and purchasing power. Once the pressure which the "gypsy" and the "runaway" operator are exerting for lower wages is removed we will have taken an important step toward business recovery.

If the ten per cent of business men who are willing to exploit labor can be controlled, I feel that the others can be depended upon to fix fair standards of hours and wages.

I feel, too, that Senator Black deserves the commendation of American business for his efforts in bringing up these questions of hours and wages and getting them sanely and thoroughly discussed. Out of that discussion, I hope will come steps that will put our unemployed back to work at living wages, lift our standard of living and restore our purchasing power.

These steps may mean the end of \$4.95 bargain dresses for the American housewife but they should also mean that she could afford to buy dresses at a price which assures the workers who made them a decent living. And perhaps, she would not mourn the passing of the \$4.95 dress so greatly if she could know the conditions in some of the shops where they were made.

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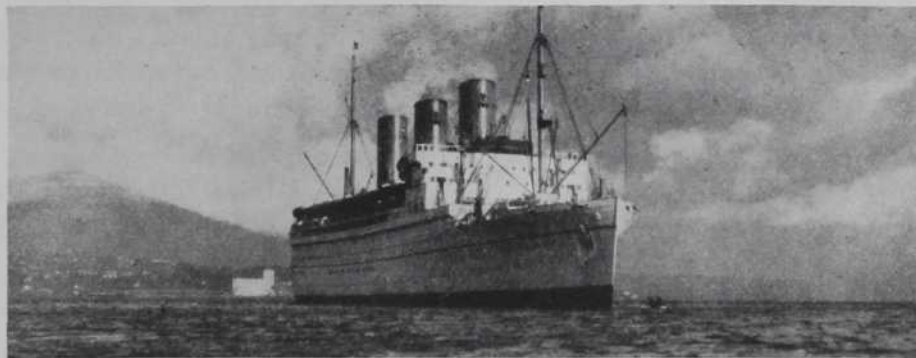
CANADIAN PACIFIC



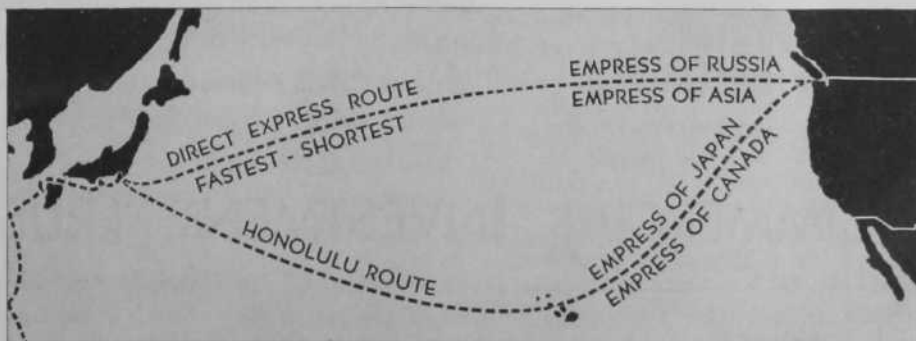
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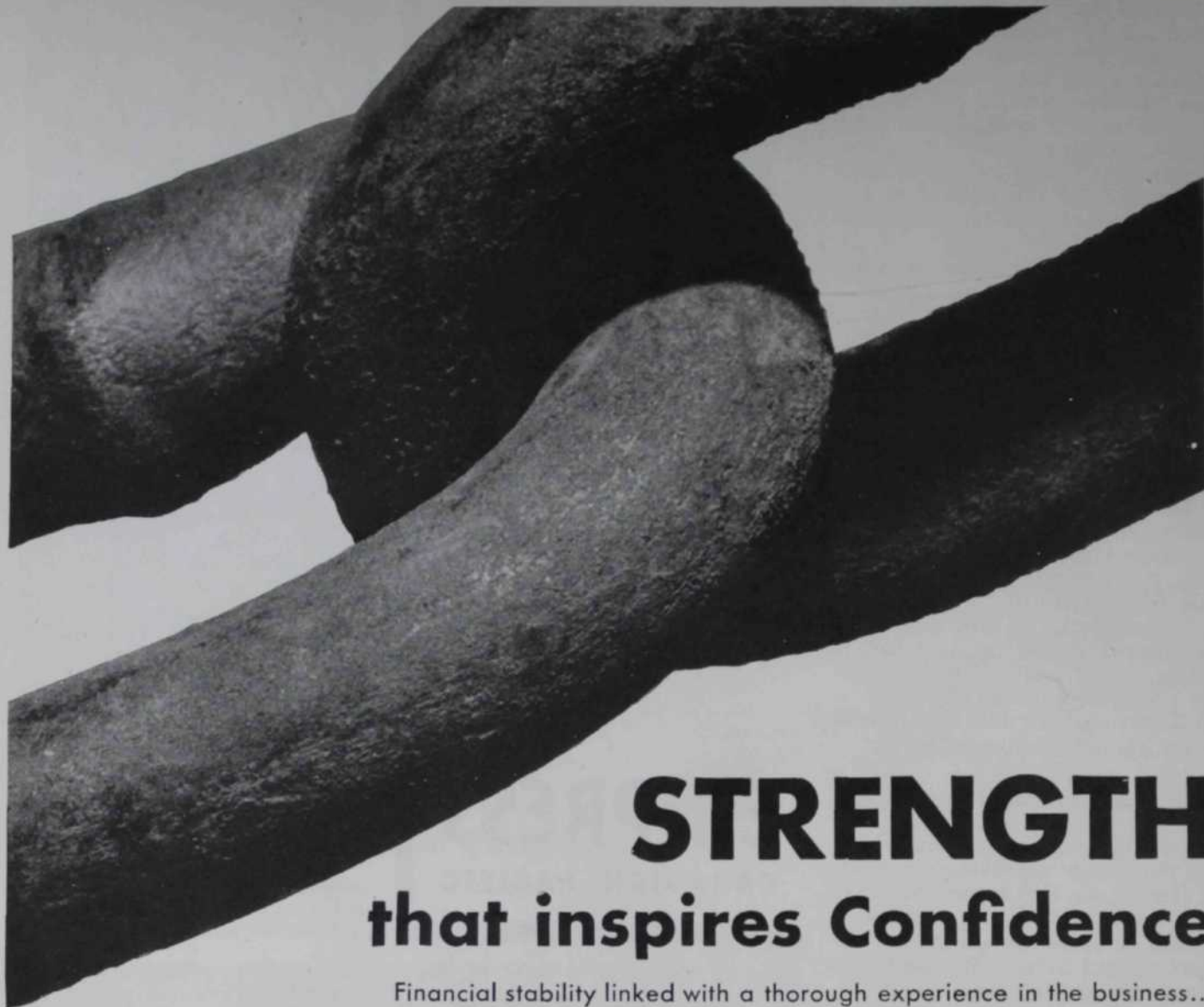


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May a C. I. T. representative discuss with you your current financing needs and C. I. T. Service?



"Bankers to Industry Everywhere"

COMMERCIAL INVESTMENT TRUST INCORPORATED

Executive Offices: One Park Ave., New York

Affiliated Operating Companies with Head Offices in New York — Chicago — San Francisco — Toronto, Canada.

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Unit of COMMERCIAL INVESTMENT TRUST CORPORATION—CAPITAL AND SURPLUS OVER \$70,000,000

When writing to COMMERCIAL INVESTMENT TRUST CORPORATION please mention Nation's Business

Things Talked about in Wall Street

By a Staff Writer of NATION'S BUSINESS

NEW YORK, JUNE 10

Bulls on the Exchange

★ WALL STREET—at least the Stock Exchange part of it—hasn't had much time to worry over the new Securities Bill. It has been too busy buying and selling existing securities for the account of other people. May was a tremendous month, more than 100,000,000 shares being sold. Only seven times in the history of the Exchange have that many shares been traded in. The last previous time was in April, 1930.

More than that, prices were the highest in some 18 months. Brokers were happy, were recalling discharged workers and here and there were raising wages.

Business watched the markets

OUTSIDE of the offices of the Stock Exchange the effects were seen. Call on a business friend and there was a fair chance that before you left he'd call his broker or his broker would call him. "Tips" were being passed about, not as they were in '28 and '29, but it was possible to learn that "there's a bull pool in so-and-so," or that "such-and-such, I hear, is due for a rise."

Cautious brokers felt that it was a little too much of a speculative market and that its value as a forerunner of revival should not be overestimated.

The Securities Act

ALTHOUGH brokers were too busy to pay to the Securities Bill the attention it deserved—and will get—yet there was a steady demand for legal opinion as to the law's effect on the Stock Exchange. Pending such opinion, the brokers, like Ahab, "went softly" about certain branches of their business. There seemed to be general agreement that the straight brokerage business was not affected. That is, if Broker A for customer X sold 100 shares of United States Steel to Broker B acting for customer Y, there was nothing in the law to affect that transaction. Houses which do a brokerage business and also merchandise securities were less certain as to method. The "over-the-counter" deal-

ers also were anxious as to their duties. They frequently buy stocks for which they have no buyer and wait until a customer is found. That branch of their business may be affected, they fear.

Brokers quit soliciting orders

THE clause which concerned the brokerage business was this in Section 4 which exempts from the requirements of registration in order to use the mails:

"Brokers' transactions executed upon customers' orders on any exchange or on the open or counter markets, *but not the solicitation of any such orders.*" (The italics are mine.)

Some brokers were reported to have cautioned their customers' men to avoid any specific recommendations for sale or purchase for the time being.

Blackmail law suits

ONE result of the bill foreseen by some lawyers was an increase in the number of "strike suits" against issuers of securities. Under previous laws this was not an unknown industry and with all the complications of the 32 requirements of Schedule A which must be filed when stock is registered it would not be difficult for an astute lawyer to find a flaw and to threaten or begin a suit against the issuer and then accept a settlement.

One distinguished lawyer told me the other day that he thought there might be twenty firms in New York which had practiced this sort of law and that the number would increase.

Pressure on funded debts

BANKERS and others profess to be uneasy about the effects of the bill on the great mass of funded debt now outstanding in this country. This probably totals \$75,000,000,000, held by individuals and others. This debt is constantly maturing and refunding operations will be watched with great interest.

The professors have a try

IT IS quite common to say that business failed in its duty by not foreseeing and warding off this depression. That's one of the arguments used to justify the

rash of professors which has broken out over the Administration at Washington.

Especially is it common to deride the banker. He's lent other people's money too freely, he's refused to lend money, his bank is imperilled by not being liquid. His bank is too liquid—whatever he's done is wrong.

And the very ones who cry loudest that the bank is hampering the revival of business by not lending are the ones who would make the most noise and rush to withdraw deposits if they thought their banks were lending.

Revising an old story

TWENTY years or more ago there was a story current along Broadway of the man who met a boyhood friend in the theatrical district. They exchanged news of the old town and then the visitor said:

"And what are you doing?"

"Sh-h," said the New Yorker, "I'm an actor, but don't tell the folks back home. They think I'm a burglar."

Only the other day the story was related to me but this time "banker" was substituted for "actor."

Taxes may eat up income

LEADERS in the financial district are beginning to wonder what the burden of taxes will be like if all the administration measures go through. It is easy and gratifying to spend \$3,300,000,000 on public works to relieve unemployment but that means \$200,000,000 or more a year for interest and debt retirement.

And the tax burden on business is oppressive. A graphic picture was drawn in a recent letter of President Philip G. Gossler to the shareholders of Columbia Gas and Electric Corporation. Said he:

Shareholders of Columbia System will be interested to know that to provide for the payment of taxes there has been set aside from the revenues of these companies in 1932 an amount equivalent to approximately 69 per cent of their combined net income (after deducting ordinary operating expenses, regular provision for reserves and taxes, interest charges and preferred dividends). These taxes may be still further increased by legislation now pending in states and in the Federal government.

If taxes keep on growing there won't be much net income left.

What Is the Associated System Doing To Build New Business?

ONE of the Associated System's solutions to the problem of securing new business and maintaining the quality of its services during these difficult times is the *Employees' Business Building Plan*.

During the first eight months of the operation of the Plan, employees working during their free time found 90,090 customers who were prospects for increased use of Associated services. These customers bought \$895,550 of electric and gas appliances whose use means annual revenue of \$366,600 to the Associated System.

Participation in this Plan by employees is voluntary, since work is done during free time. Employees turn in the names of prospects, and sales are made by company salesmen or by dealers.



Associated Gas & Electric System

61 Broadway • New York

★ ★ ★ SERVICE for BUSINESS

THE National Industrial Recovery Act makes possible a new Charter for American Business. It permits self-regulation in its broadest sense.

Many problems will arise in the administration of the Act, such as determination of hours of labor, wage standards and prices of products. Industries will be asked to submit codes of fair practice covering these subjects and others for governmental approval.

Many industries already have strong trade associations through which they can establish their codes. Some have no organization and will find it necessary to form associations.

To all of American industry the Chamber of Commerce of the United States offers its services and counsel in carrying out the purposes of the Act. The Chamber has established a special bulletin service covering developments under the Act.

If you need information or assistance address:

Chamber of Commerce of the U. S.
WASHINGTON, D. C.



BENEFITS OF THE PLAN

To Customers. They are helped to overcome costly, inefficient, and obsolete methods of cooking, water heating, refrigeration, and lighting.

To the Company. It receives additional revenues from the sale of electricity and gas used by new appliances bought by customers.

To Employees. They receive comprehensive training in the utility business, and are given unusual opportunity for development of their capabilities.

To Dealers. Local appliance dealers profit from sales of appliances to utility customers whom Associated employees found to be prospective purchasers.

Experienced Trade Association Executive Available

I OFFER experienced direction to a trade association organized or organizing to improve conditions in its industry and to operate under the provisions of the National Industrial Recovery Act. My 12 years in trade association work and 3½ years in business management, led to 2 years as assistant manager, Trade Association Dept., Chamber of Commerce of U. S. I will be glad to furnish evidence of my experience and ability.

Address: WILLIAM C. BABBITT
1615 H Street, N. W., Washington, D. C.

VACATION FUNDS

Carrying cash is dangerous and personal checks often cause embarrassment where you are not known. Travelers Cheques eliminate both the danger and the embarrassment.

AMERICAN EXPRESS TRAVELERS CHEQUES

For sale at banks and Express offices



The Complex Job of Farm Relief

(Continued from page 52)

lem didn't prove as simple as that and the wheat interests didn't reach an early or an easy agreement.

How about hogs? The packers were prepared to agree on a price but the hog business has its peculiarities. Raising hogs is the processing of corn, the price of corn and hogs interlocking. Moreover, hogs are shipped to stockyards not on order from the packer, but on the initiative of the breeder.

"If," say the packers, "we agree to pay \$7.24 a hundred we shall have more pork on our hands than we shall know what to do with."

All of these instances are presented merely to show how difficult are marketing agreements. They help to explain why the first of the marketing agreements relates to fluid milk and to milk in one district, Chicago. Milk reaches the consumer in much the same state as it leaves the cow, and it doesn't travel thousands of miles to reach him. Cotton, hogs and wheat may travel around the world. More than that, milk is used to regulation. Every community of any size has set up standards and controlled distribution.

The agreement on milk

SO WE have as the preliminary experiment under the new agricultural act an agreement between the "contracting producers" and the "contracting distributors" in the Chicago district to which the United States is asked to become a party, which fixes the quality of the milk to be sold in various classifications, the prices to be paid to the producer, to the distributor and by the household consumer. If the agreement is sanctioned, and put into effect, the household in Chicago will pay ten cents a quart for milk, 13 cents a quart for special milk and so on, through various forms of fluid milk even to 42 cents a quart for sour cream. The producer gets \$1.75 a hundredweight for milk of 3.5 per cent butter fat (the base price worked out by the Department of Agriculture was \$1.79), the distributor gets 30 cents a gallon.

The tentative agreement covers some ten typewritten pages. It is summarized here because it shows some of the complexities that may arise in making a marketing agreement under the agricultural act for one product in one region.

It is not hard to understand why the administration of the Agricultural Act is moving slowly, more slowly perhaps than the friends of the measure had hoped.

Developments in Distribution

MANY and swift are the changes which the machinery of distribution is undergoing today. Those who would succeed in it must gear themselves to the tempo of the times

✓ AN AUTOMATIC, self-service store has arrived in Los Angeles. The shopper seats herself in front of a row of shelves filled with goods. As the shelves move slowly past her on an endless belt she selects articles she wants and places them in a basket by her side. At the rear of the store a clerk replenishes depleted stock as the shelves move by him. Her shopping finished, the shopper presses a button and a clerk comes to carry her basket to the wrapping counter.

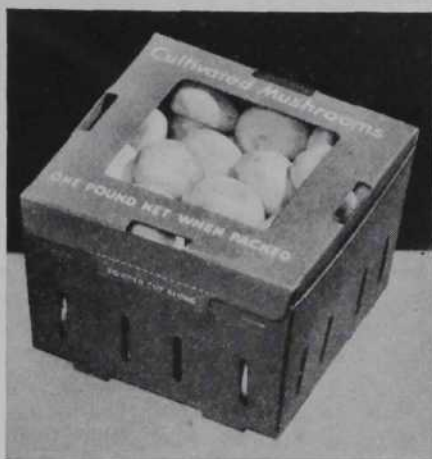
SEVERAL manufacturers of new products are aiding sales through samples attached to the regular package, which last may be returned if the purchaser finds the sample unsatisfactory. The sample is packaged in a small separate envelope which is affixed to the regular container. Items now being offered in this manner include razor blades and prepared biscuit flour.

AS a means of maintaining sales activity at an even year-round level, a manufacturer of oil furnaces is offering purchasers a moratorium on instalment payments during the summer. Only a small down payment is required on equipment purchased during the spring and summer, and monthly payments do not start until fall.

IN a city of several million population there are but 12 men who may be interested in a certain type of service which one company there is seeking to sell. How to reach those 12? This company plans to interest the exclusive dozen through a local radio campaign.

A PAINT and varnish manufacturer is finding a stimulant to sales in dial-like color charts. One is in the form of a counter display. When its center disc is turned properly it reveals two recommended trim colors for use with any given color. The other, for general distribution, can be dialed to answer 20 such questions as what colors make a room seem larger, give one a glow of warmth, make one feel cool, younger children like, the majority of men prefer, etc. Its reverse side shows 20 colors and lists appropriate household applications.

RAISING garden truck and peddling it



Mushrooms grow almost 10 per cent in bulk after being packed, hence this new expansible-top carton

from door to door proved unsatisfactory to a New York state farmer, so he evolved a plan that brought his customers to him. He organized a club of 100 members, and planted rows of peas, sweet corn or whatever the individual members desired. He charged them a dollar a row to fertilize, plant and cultivate their gardens, and the members have the pleasure of driving out to the farm and gathering their own fresh vegetables. While they're on the spot, the thrifty farmer sells them fresh butter, eggs, honey, etc.

MANY kinds of goods are going to market in new containers nowadays. Refiners are offered a new spiral-wound paper container, impregnated with an impervious coating material, for retail marketing of motor oils, also a combination cutter and decanting device for use with it. Bulk lard is being shipped in parchment-lined fiber containers of 20 to 120 pounds capacity. Small cheddar cheeses will soon be cured and retailed in specially developed tin cans containing valves which permit escape of gases from the curing cheese but which bar escape of moisture or entrance of air.

AN IOWA furniture moving company has suited its service to the times by offering prospective customers a "move-yourself" plan. A family wishing to move can rent a trailer van, equipped with pads, for 50 cents an hour, plus a flat \$3 charge for haul-

ing the trailer to the new home. Average moving cost under this plan is said to be \$5 to \$5.50.

A WESTERN grocer, a packer, and telegraph company messenger boys are joining hands to bring hot baked hams to consumers' kitchens. Housewives who do not wish to prepare and cook meat for a dinner can place an order for a baked ham with their grocer and have it delivered hot, ready for the table, directly from the packer's plant at the appointed time.

POOR business closed the lone movie in a small Ohio town two years ago, and merchants saw much of their evening trade follow theatergoers to a neighboring town. Last summer they arranged with the theater owner for two free outdoor shows each week, paying him the rental for the film and a reasonable sum for exhibiting it. The plan worked, and is being improved on this year. With each purchase of a certain amount, the merchants give a movie ticket. Wednesday evenings, movie admission is five cents and a merchant's ticket; Saturday evenings, 10 cents and a ticket. Straight admission is 15 cents. The merchants bear the ticket costs and also pay the theater owner an agreed sum.

LATEST manifestation of the "store within a store" arrangement is a Chicago department store's "Chintz House." Here are featured chintz and wall paper ensembles, chintz window drapes, chintz upholstered furniture, pillows, etc.

NEW twists to "ensemble selling": A New York department store offers "wall paper and hanging for any room up to 12 by 15 feet" at a single price, giving customers their choice of papers. A Washington store similarly offers to "paint the average size room (up to 120 square feet) complete" at a single price.

SEVERAL stores are spurring hosiery sales by offering to stamp indelible initials on the tops. Initialed hose prevent mix-ups, make "personalized" gifts, they point out.

A SCHOOL for making slip covers and draperies has helped a St. Louis department store move fabrics. An expert shows women customers how to measure, cut, fit and sew covers, and booklets are also distributed which give detailed printed instructions.

—PAUL H. HAYWARD

EDITOR'S NOTE—Further information on any of these items can be had by writing us.



Her Background

So important to her poise and her happiness is the background your wife stands against. Tell her that she can always bear your name as proudly as she does to-day. Protect her and the background you have created for her with Life Insurance.

John Hancock
LIFE INSURANCE COMPANY
OF BOSTON, MASSACHUSETTS

JOHN HANCOCK INQUIRY BUREAU—
197 Clarendon Street, Boston, Mass.

Please send your booklet on life insurance
for family protection.

Name _____

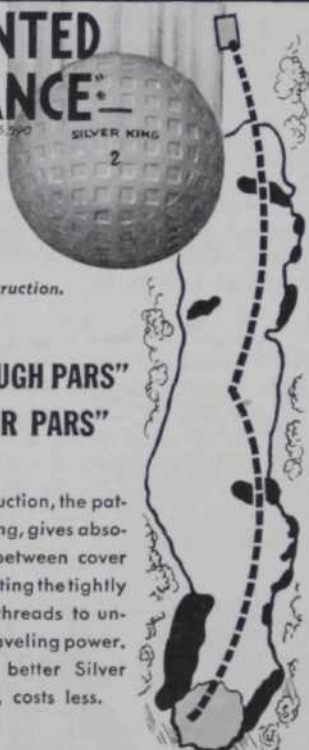
Address _____

N. B. 7-33

"PATENTED DISTANCE"

BRITISH PATENT 325,590

"GUARANTEED
tested to give 7
to 12 yards more
carry on drive
and full second
shot than with
the former construction.



Turns "TOUGH PARS" into "FAIR PARS"

This new construction, the patented inner lining, gives absolute cohesion between cover and core, permitting the tightly wound elastic threads to unleash greater traveling power. Best of all, a better Silver King, this year, costs less.

**NEW
CONSTRUCTION**
Silver King
KING OF THEM ALL

John Wanamaker New York, B'way at 9th St.
Sole Distributor in the United States

The Chamber's Job in Recovery

(Continued from page 16)

the trade association. There the trouble begins because, unfortunately, business men have not established a very good record for agreement among themselves. Where they are to be forced into agreement, it inevitably follows that pulling and hauling and politics will be played. That is where the local chamber of commerce comes into the picture. Perhaps its job can best be shown by visualizing the way the legislation will apply to one industry.

As a typical example, let us take the machine tool industry. The directors or leaders of the national trade association in that industry will, presumably, go to the government tribunal and state that they desire to operate under the Act. Being convinced that that trade association is truly representative of the industry, Government will say, "You gentlemen know better than any one else what is wrong with the machine tool industry. You know what should be done to counteract the existing trade abuses and put your industry on a basis where it can operate satisfactorily and profitably. You know what codes, what regulations and what agreements should govern your operations. Draw up such a program, get it accepted by 60 per cent of the operators in your industry and then submit it to us. If it is sound, fair, and equitable to the units of the industry, to the employees within the industry, and to the public, we will approve it and you can and will start functioning in accordance with it. We will give you the power and authority to compel the troublesome minority to obey the rules laid down."

The chamber helps out

IN "Hometown" there are 15 concerns manufacturing machine tools. They all belong to the national trade association, and they belong also to the "Hometown Chamber of Commerce."

Each of the 15 has been proud of his individuality, not too friendly with his competitors. One of these days when the significance of the Industrial Recovery Act begins to seep into their thinking they will suddenly realize that momentous things are taking place. Their trade association is working out rules, regulations and codes that are destined to control the future of their business.

They will recognize that, while they are producing a line similar to that manufactured in Cincinnati, Detroit or Seattle, certain peculiar conditions existing in "Hometown" should and must be considered by the trade association group that is drawing up the rules.

The obvious happens. Those 15

"Hometown" machine tool makers suddenly appreciate the truth of the old adage that "in union there is strength" and they want to organize their efforts. This should be right down the chamber of commerce alley.

Instead of allowing them to meet at the Elks or the City Club and set up another local organization with possible duplication of overhead and effort, it will say, "Gentlemen, we know something of your problem. We appreciate the necessity of your getting together. We have facilities, meeting place, clerical assistance and contacts to assist you. Why not utilize them?"

One chamber of commerce that I know of has already taken this step. It called a meeting of local manufacturers to discuss the Industrial Recovery Act. The morning after the meeting one manufacturer called the chamber secretary to report that his firm was calling a conference of manufacturers of his line to form a national trade association. He asked the chamber to give him complete information as to the proper way to organize such an association, together with information about by-laws and methods of procedure. He also wanted an index of the living costs in seven towns where his competitors live and the minimum wages in various lines related to his.

Of course some manufacturers may be skeptical. They have never had much contact with the chamber and they still have plenty of their self-sufficient feeling left. But they can be convinced. I know because we have been doing it and have successfully taken that particular hurdle many times.

After they are convinced, the steps which the chamber must take are not so easy to forecast. "Hometown Chamber of Commerce" must be guided by local conditions, future developments and, particularly, by the wishes and the technical knowledge of its machine tool council members; but at least one other phase of the situation suggests itself.

It is predetermined that the machine tool men, in their deliberations, will consider the necessity of fixing minimum wages in their industry. A similar group of textile machinery manufacturers will do likewise and other metal working industries will do the same. They all employ machinists and it is obvious that their thoughts and their decisions along this line must be coordinated.

The chamber of commerce can successfully fill this rôle of coordinator.

I have stressed the presumed action by local groups of industrialists but I do not think that it is far-fetched nor that its probability and necessity can be overemphasized.

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Index of ADVERTISERS

July • 1933

	PAGE
Addressograph-Multigraph Corp.	43
American Can Company	49
American Express Company	62
American Sheet & Tin Plate Co.	7
American Steel & Wire Co.	7
American Telephone & Telegraph Company	2nd Cov.
Associated Gas & Electric System	62
Babson Statistical Organization	54
Burroughs Adding Machine Co.	31
Canadian Pacific	59
Carnegie Steel Company	7
Chesapeake & Ohio	8
Chevrolet Motor Company	29
Coca-Cola Co., The	57
Commercial Investment Trust Corporation	60
Detex Watchclock Corporation	50
Dick, A. B., Company	2
Erie Railroad System	51
Goodyear Tire & Rubber Co., Inc., The	10
Illinois Steel Company	7
International Harvester Co. of America	47
International Nickel Co.	37
Iron Fireman Mfg. Company	56
John Hancock Mutual Life Insurance Company	64
Kimberly-Clark Corporation	33
La Salle Extension University	65
Layne & Bowler, Inc.	3
Leipzig Trade Fair	65
Lumbermens Mutual Casualty Company	54
Metropolitan Life Insurance Company	41
Mutual Casualty Insurance	66
National Tube Company	7
Package Machinery Company	12
Pressed Steel Tank Company	9
Reynolds, R. J., Tobacco Co.	4th Cov.
Socony-Vacuum Corporation	4
True, James	54
Wanamaker, John (Silver King)	64
Westinghouse Electric & Mfg. Co. (Air Conditioning)	34
Westinghouse Electric Elevator Company	3rd Cov.
Westinghouse Electric & Mfg. Company (Water Cooler)	6
Wetsel, A. W., Advisory Service, Inc.	1
Willard Hotel	65

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C This is one of a series of editorials written by leading advertising men on the general subject of advertising

The Wheels Are Turning

★ **FOUR MONTHS** ago the chairman of the board told the general manager to stop advertising. Four days ago the chairman cautioned the general manager not to neglect his publicity too long.

Six months ago the leading manufacturer of certain machines wondered whether there was any business to be had in his field. Last month was the best he'd had in three years.

Last year an automobile dealer decided his salesmen need not be bonded because they handled no cash. This year he's bonded them all because the percentage of cash sales has jumped high.

Two months ago an office equipment manufacturer shipped a few hand-made samples to branch offices. Over 12,000 units have now been sold, even before the first production order has finished going through the plant.

That's first-hand news from a few clients of one industrial advertising agency. Multiply it by any reasonable factor and then ask whether telling *your* world what *you* have will pay you.

The question will answer itself. Even the wrong answer is not going to stop advertising from helping those who employ it efficiently. Some may think the old timers have unlearned; but the youngsters who have grown up during these few hectic years have learned, and will lead. There's no changing the fact that you can't sell them unless you tell them.

OSCAR S. TYSON, *President*
O. S. Tyson and Company, Inc.

LEIPZIG TRADE FAIR
1 AUGUST 27 to 31



The Whole World's Market
Place FOR 700 YEARS

FOR seven centuries Leipzig has been the world's most important and most favored center for the exchange of the best each country has to offer.

At the Fall Fair, 7000 exhibitors from 22 countries will sell their wares to 150,000 buyers from 72 countries. Whatever your business, trade or profession you will find the latest offerings of the whole world, here assembled for your inspection and comparison.

Write for information on reduced rates and simplified arrangements for travel

**LEIPZIG
TRADE
FAIR • INC.**  **10 EAST
40TH ST.
NEW YORK**

C The buying influence of
**NATION'S
BUSINESS**
is out of all
proportion to
its circulation

How To Sell Yourself

A short, short training course FREE

Every man has to sell himself to his employer and other men.

Without one penny's cost to you, we will send the best short, short course on this subject ever prepared. This offer is for adult men and women who are really earnest and ambitious. If you answer that description, send your name—we'll do the rest.

LASALLE EXTENSION UNIVERSITY, Dept. 7374-X, CHICAGO, ILL.



World Famous
National history makes the background—modern perfection in hotel life makes the foreground at
The
WILLARD HOTEL
"The Residence of Presidents"
Washington, D. C.
H. P. SOMERVILLE, *Managing Director*

Reduce the Insurance Cost of Your Car—

*and you'll
enjoy it more*

A CAR is like most of the other good things of life these days—good to have but a little expensive for most people.

There's one way that over a million car owners have found to cut down the overhead cost of owning a car. It's the saving effected by *mutual* insurance.

This saving involves no sacrifice of protection or service. It is the direct result of the care exercised by *mutual* companies in selecting risks—of their effective accident prevention work—and of the traditional *mutual* economy in operation.

These measures have reduced losses and expense which has enabled *mutual* companies to return part of the premium in dividends to policyholders. Many *mutual* corporations have an unbroken dividend record of twenty-five years or more.

Any responsible car owner or employer interested in selected,



legal reserve *mutual* protection will do well to look for it among the member companies of the National Association of Mutual Casualty Companies. These 23 leading organizations represent the utmost in *mutual* stability, soundness and service. They have saved

and returned to policyholders over \$107,000,000 since 1922.



This Seal identifies a member company of The National Association of Mutual Casualty Companies and the American Mutual Alliance.

Whether or not your automobile and compensation insurance is now carried in a *mutual* company, write today for a list of the Association companies, and an outline of the protection and advantages they offer.

MUTUAL CASUALTY INSURANCE

Sound and economical protection on following risks: accident • automobile (all forms) • burglary and theft • fidelity • liability (all forms) • plate glass • property damage • workmen's compensation



WRITE FOR THIS BOOKLET-----

National Association of Mutual Casualty Companies,
230 North Michigan Avenue, Chicago, Illinois.

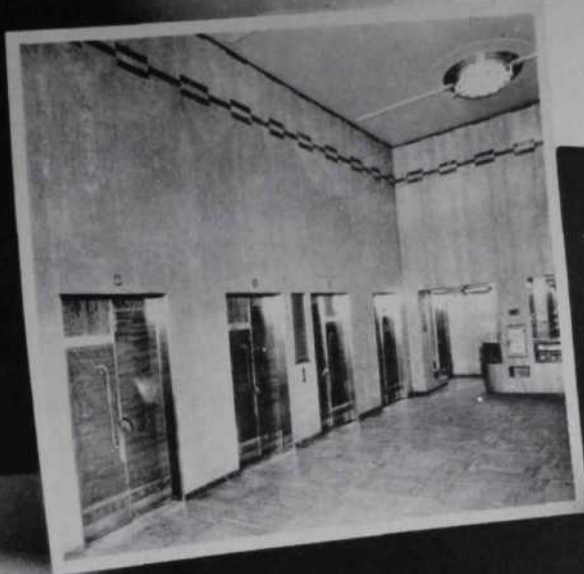
Gentlemen: Kindly send me, with no obligation, a list of the Association companies and an outline of the benefits they offer the policyholder.

Name _____

Address _____

180 YEARS OF SUCCESSFUL OPERATION TESTIFY TO THE SOUNDNESS OF THE MUTUAL PLAN OF INSURANCE

When writing to NATIONAL ASSOCIATION OF MUTUAL CASUALTY COMPANIES please mention Nation's Business



BEFORE AND AFTER MODERNIZING ELEVATORS BY WESTINGHOUSE

The photographs illustrate the spaciousness achieved in remodeling the entrance of the Yeon Building, Portland, Oregon. This entrance change allowed for an additional income-producing street entrance shop.

The progressive management of the Yeon Building has taken advantage of low prices to rehabilitate their elevators. This greatly reduces their operating cost and assures their tenants of the smooth, swift riding comfort, quiet and efficient service which so definitely marks modern elevators developed by Westinghouse.

Westinghouse Electric Elevators

Elevator rehabilitation  problems referred to Westinghouse are given individual, careful study to insure the most economical, intelligent recommendations.

A close-up photograph of a person's hands holding a pack of Camel cigarettes. The hands are positioned on a large, dark wooden ship's steering wheel. The person is wearing a red and white striped shirt and a Cartier sports watch with a square face and a dark strap. The background shows the ship's wheel and thick, light-colored rope. The lighting is warm, highlighting the textures of the wood, rope, and fabric.

**"YOU'RE A PERFECT HOST, HUGH ———
EVERYTHING FROM CAVIAR TO CAMELS"**

**Camels are made from finer, MORE EXPENSIVE
tobaccos than any other popular brand**

Some people are not able to differentiate between fine Russian caviar and the coarser, more usual variety from Astrakhan. Others do instantly. Just as their experienced taste tells them immediately the difference between raw, inferior tobaccos and naturally mild, choice tobaccos. They smoke Camels.

Leaf tobacco for cigarettes can be bought from 5¢ a pound to \$1.00, but Camel pays the millions more that insure your enjoyment... Smoke a Camel... your taste will appreciate the fragrance and flavor of its costlier tobaccos.

Sports watch by Cartier • Flavor and mildness by Camel